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DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION:
TRADE AND DEVELOPMENT

International code of conduct on the transfer of technology

Note by the Secretary-General

The Secretary-General has the honour to transmit to the General Assembly the report of the Secretary-General of the United Nations Conference on Trade and Development on the outcome of consultations on the draft international code of conduct on the transfer of technology, as requested in paragraph 3 of its resolution 45/204 of 21 December 1990.

ANNEX

Report of the Secretary-General of the United Nations Conference on Trade and Development on the consultations on the draft international code of conduct on the transfer of technology

I. INTRODUCTION

1. The background to the negotiations on an international code of conduct on the transfer of technology, as well as the consultations carried out by the Secretary-General of UNCTAD and the President of the United Nations Conference on an International Code of Conduct on the Transfer of Technology since the last session of the Conference in 1985 have been amply explained in previous reports of the Secretary-General of UNCTAD to the General Assembly (see A/45/588). Suffice it to recall that the General Assembly, in its resolution 45/204 of 21 December 1990, invited "the Secretary-General of the United Nations Conference on Trade and Development and the President of the United Nations Conference on an International Code of Conduct on the Transfer of Technology to carry out further in-depth consultations with regional groups and Governments on the draft code of conduct, in conjunction with the appropriate intergovernmental bodies of the United Nations Conference on Trade and Development, in early 1991". In pursuance of the above-mentioned resolution, consultations were held from 23 to 30 April 1991 in conjunction with the eighth session of the UNCTAD Committee on Transfer of Technology. The present report gives an account of those consultations and, in the light of their outcome, puts forward some suggestions with respect to future action on the draft international code of conduct on the transfer of technology.

II. REPORT ON THE CONSULTATIONS

2. The consultations carried out in 1991 had some special features that distinguished them from previous ones (held from 1986 to 1990). First, they were based on a preparatory process undertaken by the UNCTAD secretariat which consisted of: (a) the preparation by the secretariat of a study on recent developments in the area of technology and their relevance to the code negotiations; a/ (b) a report by experts invited by the Secretary-General of UNCTAD in their personal capacity to make concrete suggestions on future action on the code; b/ (c) bilateral consultations with various delegations. In light of this preparatory process, participants were fully apprised of the scope and objective of the consultations. This enabled them to focus exclusively on ideas and suggestions in respect of further action on the code negotiations. Secondly, the consultations were very well attended and almost all the member States of the UNCTAD Committee on Transfer of Technology participated actively in the discussions. Thirdly, a positive atmosphere reigned throughout the consultations and a political will to achieve concrete results was shown by all delegations, including those which, in previous consultations, had expressed reservations on the merits of resuming negotiations on the draft code. Indeed, for the first time since the last

session of the Conference in 1985, there was general agreement to relaunch the negotiating process on the basis of a "fresh approach" to the concept of a code. To this end, it was agreed, in principle, that an intergovernmental group of experts could be established in UNCTAD with clear terms of reference on the task to be accomplished so as to prepare the ground for the resumption of negotiations. Thus, most of the discussions were devoted to the consideration of the terms of reference of the intergovernmental group of experts. The main differences among regional groups and Governments concerned the formulation of the terms of reference.

3. The discussions on the terms of reference showed, on the one hand, that all Governments were conscious of the need for a fresh approach to the draft code, in the light of important changes that had occurred in the area of technology policies during the past decade. They also revealed, on the other hand, that the approaches of Governments to resolving certain issues which are central to the draft code of conduct (e.g. the treatment of restrictive practices in transfer of technology transactions and the question of choice of law) continued to differ. It should, however, be stressed that during the consultations, substantial progress was made on the clarification of the respective positions of Governments on these issues. Even more important was the broad agreement reached on a "fresh approach" to the concept of a code.

4. As shown in the annex, the draft text under consideration at the end of the consultations divided the terms of reference into two main parts. Paragraph 1 refers to a fresh approach to the concept of a code and the need for an intergovernmental group of experts:

> "to review economic, technological and policy trends relevant to technology acquisition and transfer; and
>
> to formulate appropriate recommendations for consideration of a framework of principles and standards in the area of transfer of technology with a view to furthering economic development of all countries, in particular developing countries, taking fully into account recent policy shifts towards promotion of technology transfer and new emphasis on co-operation; this could be manifested by more specific promotional guidelines for intergovernmental and inter-enterprise co-operation on, inter alia, collaborative research and development schemes or programmes, joint ventures, and the promotion of technology transfer related investment and innovation in developing countries, including in new and emerging technologies;
>
> consider to what extent a code should reflect the desirability of an open environment for the import and export of technology."

5. There was general agreement on the formulation of this part of the text. The main differences concerned the second paragraph (see annex) which refers more specifically to some of the issues outstanding in the draft code of conduct itself, and in particular the evaluation of restrictive practices (chap. 4 of the draft code) and choice of law (chap. 9 of the draft code). It

is the manner in which these issues should be treated and the appropriate solutions for them that still causes a divergence of approaches among regional groups and Governments.

6. According to one approach, advocated mainly by some developing countries, the terms of reference should consist only of broad guidelines indicating to the proposed intergovernmental group of experts the overall approach it should adopt in the formulation of recommendations on the draft code. Although these countries agreed to refer to the principles of competition law and freedom of choice of law in the draft code of conduct, they argued that the intergovernmental group of experts should enjoy some leeway as to the exact application of those principles.

7. According to another approach, advocated mainly by developed countries, the broad guidelines were acceptable as regards the "fresh approach" to the code negotiations as a whole, but clear and precise guidance should be given to the intergovernmental group of experts with respect to the two major outstanding issues in the draft code, i.e., the evaluation of restrictive practices and applicable law. These countries insisted therefore upon the exclusive application of competition law principles to the evaluation of restrictive practices (chap. 4 of the draft code) and adherence to freedom of contract and freedom of choice of law with respect to applicable law and forum for dispute settlement (chap. 9 of the draft code). (See para. 2 of the annex for the exact wording proposed by these countries.)

8. The Union of Soviet Socialist Republics and the Czech and Slovak Federative Republic stated that they could go along with either approach and emphasized the paramount importance for their Governments of restarting the process of negotiations on the draft code. The representative of the People's Republic of China equally emphasized the need to convene an intergovernmental group of experts to prepare the ground for the resumption of negotiations, and stressed the flexibility of the Chinese delegation with respect to the terms of reference, although their preference was for the approach advocated by the developing countries.

9. A number of compromise formulae were suggested in an attempt to breach the impasse on the terms of reference. However, both Group B and the Group of 77 proposed some drafting changes which essentially reaffirmed their above-described positions. Thus, the main problem was the extent to which the consultations should define the nature of the solutions to be adopted by the intergovernmental group of experts for these two unresolved issues in the draft code, namely the evaluation of restrictive practices and freedom of choice of law. Group B countries argued that since the code negotiations had failed in the past owing to lack of agreement on those two issues, there was no point in restarting them unless precise criteria for solutions were agreed upon by the consultations. For the member countries of the Group of 77, the mere acceptance of the eventual inclusion of the principles of competition law and freedom of contract in the draft code constituted a major concession by their Group. Thus, in their view, the definition at this stage of the precise criteria to be applied by the intergovernmental group of experts would only

preempt the recommendations to be formulated by the Group itself. Some developing countries also expressed reservations about the usefulness of a code of conduct which would incorporate standards based on the exclusive application of competition law to the evaluation of restrictive licensing practices (chap. 4) without due regard to their effects on development, and on adherence to freedom of contract and freedom of choice of law in respect of applicable law.

III. CONCLUSIONS AND SUGGESTIONS FOR FURTHER ACTION

10. In spite of the failure to reach full agreement on the terms of reference of the intergovernmental group of experts, these consultations were the most intensive and cooperative that have been held since suspension of the code negotiations in 1985. For the first time there was general agreement, in principle, on the need to resume negotiations on the draft code of conduct on the basis of a "fresh approach". This was partly brought about by the suggestions and recommendations made by the secretariat in its study on "The relevance of recent developments in the area of technology to the negotiations on the draft international code of conduct on the transfer of technology" a/ and in the report of the experts invited by the Secretary-General of UNCTAD. b/ The ideas advanced in these documents and in bilateral consultations relating to a "fresh approach" to the negotiations on the draft code of conduct seem to have been very well received by all delegations. They reignited interest in the whole process and offered a new prospect for exploring further avenues of action on the elaboration of a code of conduct.

11. Although this preparatory work was necessary and helpful, it was clearly not sufficient to secure a positive outcome. The basic divergences on the treatment of restrictive practices in transfer of technology transactions and on the choice of law persist and undoubtedly constitute the main obstacle to the possible resumption and eventual conclusion of the negotiations on a code.

12. It is evident that the differences on the formulation of the terms of reference reflect a more deep-seated divergence of views on these issues. Thus, a clear understanding among Governments on the appropriate manner of dealing with them would be required for the success of any further work on the negotiations on a code of conduct.

13. It is also quite clear that, as time passes, the prospects for agreement may become dimmer unless the favourable momentum created at these consultations can be sustained and possibly concretized in an agreement on the terms of reference for an intergovernmental group of experts to draw up recommendations on a fresh approach to the concept of a code.

14. As was emphasized by the Group of Experts invited in their personal capacity by the Secretary-General of UNCTAD in September 1990, "recent economic, technological and policy developments, in the international arena, have rendered even more relevant concerted international action on the creation of a global framework of norms and standards for the transfer of

technology". 2/ However, if the draft international code of conduct is to serve as the basis of such a global framework, it will be necessary to take into account not only the basic concerns which inspired the structure, contents and coverage of the draft code almost two decades ago, but also the needs, concerns and policy approaches which have emerged in recent years in the area of international economic and technological relations. Hence, the need for an intergovernmental group of experts, with clear-cut terms of reference, to review the entire process in the light of economic, technological and policy trends relevant to technology acquisition and transfer and to make the necessary recommendations to Governments on the future of the negotiations.

15. In light of the above, the following options may be considered by Governments in deciding on further action with respect to negotiations on the draft code of conduct:

(a) A decision by the General Assembly to convene the proposed intergovernmental group of experts on the basis of the attached draft terms of reference whose formulation could be completed through informal consultations at the current session of the General Assembly. As may be seen in the appendix, differences persist solely with respect to the bracketed words in paragraph 2 of the text;

(b) A decision by the General Assembly, recognizing the need to review the entire process in the light of recent economic, technological and policy trends relevant to technology acquisition and transfer, to refer the whole matter, including the completion of the formulation of the terms of reference and the possible convening of an intergovernmental group of experts, to the eighth session of UNCTAD for appropriate action in the context of deliberations on items on its agenda, which encompasses the subject of technology.

Notes

a/ See "The relevance of recent developments in the area of technology to the negotiations on the draft international code of conduct on the transfer of technology" (TD/CODE TOT/55).

b/ See "Informal Expert Group Meeting on the Draft International Code of Conduct on the Transfer of Technology, 3-5 September 1990. Report by experts addressed to the Secretary-General of UNCTAD" (UNCTAD/ITP/TEC/Misc.11).

APPENDIX

Text under consideration at the end of the consultations

Terms of reference for an Intergovernmental Group of Experts on an International Code of Conduct on the Transfer of Technology

1. A fresh approach to the concept of a Code

   - to review economic, technological and policy trends relevant to technology acquisition and transfer; and

   - to formulate appropriate recommendations for consideration of a framework of principles and standards in the area of transfer of technology with a view to furthering economic development of all countries, in particular developing countries, taking fully into account recent policy shifts towards promotion of technology transfer and new emphasis on cooperation; this could be manifested by more specific promotional guidelines for intergovernmental and inter-enterprise cooperation on, inter alia, collaborative research and development schemes or programmes, joint ventures, and the promotion of technology transfer related investment and innovation in developing countries, including in new and emerging technologies.

   - consider to what extent a Code should reflect the desirability of an open environment for the import and export of technology.

2. In doing so, experts, when referring to a Code,

   - shall [adhere to]* [be directed by]** the principle of respect for the freedom of contract by parties to transfer of technology and free choice by parties of forum and applicable law;

   - in reviewing and evaluating questions relating to RBPs, shall take into account the results of the recent review conference of the Set, a/ and refer to the likely effect on competition of the transaction in question as the [sole]* governing principle.

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* Language proposed by developed countries members of Group B in UNCTAD.

** Language proposed by developing countries members of the Group of 77 in UNCTAD.

3. The IGE shall build upon the negotiations and consultations on a draft international code of conduct on the transfer of technology (document TD/CODE TOT/47) and formulate recommendations for the resumption of negotiations.

Notes

a/ i.e., the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices.

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DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION: TRADE AND DEVELOPMENT

Strengthening international organizations in the area of multilateral trade

Note by the Secretary-General

1. At its forty-fifth session, the General Assembly, in its resolution 45/201 of 21 December 1990, reaffirmed Economic and Social Council resolution 1990/57 of 26 July 1990, in which the Council requested the Secretary-General to report to the Assembly at its forty-sixth session on institutional developments, taking into account all relevant proposals, related to the strengthening of international organizations in the area of multilateral trade. In preparing the report, the Secretary-General was requested to solicit the views of all Governments and the executive heads of the specialized agencies and other organizations and programmes of the United Nations system on the above-mentioned matter.

2. In the preambular part of General Assembly resolution 45/201, the Assembly stressed the principle of free and fair global trade, which should be conducive to a significant enhancement of the trade and development prospects of all countries, in particular developing countries, and the need for strengthening institutional arrangements in the area of international trade with a view to reinforcing further the multilateral trading system. It also recalled the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, adopted at its eighteenth special session (see General Assembly resolution 18/3 of 1 May 1990). Furthermore, it noted the General Agreement on Tariffs and Trade and its Protocol of Provisional Application of 30 October 1947 1/ and General Assembly resolution 1995 (XIX) of 30 December 1964 on the establishment of the United Nations Conference on Trade and Development. In addition, it noted the institutional proposals made in connection with the Uruguay Round of

multilateral trade negotiations, related to the strengthening of multilateral organizations in the area of international trade.

3. On behalf of the Secretary-General of the United Nations, the Secretary-General of UNCTAD, as the first step in the preparation of the report, solicited the views of the executive heads of 25 specialized agencies and relevant organizations and programmes of the United Nations system on this matter. Responses have been received from such specialized agencies, organizations and programmes of the United Nations system as the General Agreement on Tariffs and Trade (GATT), the International Monetary Fund (IMF), the World Bank, the International Labour Organisation (ILO), the Food and Agriculture Organization of the United Nations (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the World Intellectual Property Organization (WIPO), the World Health Organization (WHO), the United Nations Development Programme (UNDP), the United Nations Centre on Transnational Corporations (UNCTC), the International Civil Aviation Organization (ICAO), the United Nations Industrial Development Organization (UNIDO), the United Nations Environment Programme (UNEP), the Economic Commission for Asia and the Pacific (ESCAP), the Economic Commission for Latin America and the Caribbean (ECLAC), and the secretariat of the United Nations International Law Commission.

4. At the second stage of this process, the Secretary-General of UNCTAD has circulated a note verbale to all Governments in order to receive their views on the above-mentioned matters, so as to enable him to report to the Secretary-General of the United Nations. This stage has yet to be concluded.

5. At the second regular session of the Economic and Social Council of 1991, the UNCTAD secretariat made a progress report on the status of work in implementing General Assembly resolution 45/201. 2/ There was also some discussion on this subject matter. Some delegations called for the initiation of work towards a universal, comprehensive and democratic United Nations-based International Trade Organization, although others considered that discussion on this matter should be initiated after the results of the Uruguay Round were known.

6. Attached is the note prepared by the UNCTAD secretariat to initiate the second stage of the process (see annex), which was circulated to Governments in order to facilitate their consideration of the issues involved. It outlines the historical background and various proposals made by Governments and non-governmental persons and bodies for strengthening international organizations in the area of multilateral trade, beginning with those made in the context of the Havana Charter for an International Trade Organization. The note also comments upon the needs and opportunities presented by the current international political and economic environment, which have given rise to the renewed interest in institutional questions affecting the world trading system. In addition, it takes into account the views expressed by the above-mentioned international organizations and reflects certain ideas that appear to merit consideration.

Notes

1/ United Nations, Treaty Series, vol. 55, No. 814.I(c).

2/ E/1991/98.

ANNEX

BACKGROUND NOTE FOR THE PREPARATION OF THE SECRETARY-GENERAL'S REPORT ON STRENGTHENING INTERNATIONAL ORGANIZATIONS IN THE AREA OF MULTILATERAL TRADE

A. Introduction

1. The General Assembly, in its resolution 45/201 of 21 December 1990, reaffirmed Economic and Social Council resolution 1990/57 of 26 July 1990, in which the Council had requested the Secretary-General to report to the General Assembly at its forth-sixth session on institutional developments, taking into account all relevant proposals related to the strengthening of international organizations in the area of multilateral trade. The General Assembly requested the Secretary-General, in preparing such a report, to solicit the views of all Governments and the executive heads of the specialized agencies and other organizations and programmes of the United Nations system on this matter.

2. In the preambular part of the resolution, the General Assembly stressed the principle of free and fair global trade, which should be conducive to a significant enhancement of the trade and development prospects of all countries, in particular developing countries, and the need for strengthening institutional arrangements in the area of international trade with a view to reinforcing further the multilateral trading system. The General Assembly also recalled the Declaration on International Economic Co-operation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, adopted at its eighteenth special session. Moreover the General Assembly noted the General Agreement on Tariffs and Trade and its Protocol of Provisional Application of 30 October 1947 and General Assembly resolution 1995 (XIX) of 30 December 1964 on the establishment of the United Nations Conference on Trade and Development. In addition it noted the institutional proposals made in connection with the Uruguay Round of multilateral trade negotiations, related to the strengthening of multilateral organizations in the area of international trade.

3. The present paper has been prepared by the UNCTAD secretariat in the hope of facilitating the consideration by Governments of a number of the issues on which, as desired by the General Assembly, they may wish to submit their views. The paper: (i) reviews proposals for the strengthening of international organizations in the area of multilateral trade, including those made in the context of past efforts towards the establishment of a comprehensive international trade organization; (ii) examines the needs and opportunity for such institutional reform in the current international political and economic environment; and (iii) identifies a number of the issues which call for consideration in strengthening institutional arrangements. In the light of the views of Governments, as well as those of the executive heads of the specialized agencies and other organizations and programmes of the United Nations system, this paper will be revised and expanded to include options and possible courses of action for submission as a report to the Economic and Social Council and the General Assembly.

B. Past efforts and recent proposals to strengthen international organizations in the area of multilateral trade

(a) The Havana Charter

4. In February 1946, the Economic and Social Council unanimously approved a resolution submitted by the United States on convening a United Nations Conference on Trade and Employment. This decision led to a meeting at Havana from 21 November 1947 to 24 March 1948 where the Conference drew up the Havana Charter for an International Trade Organization.

5. Such an International Trade Organization would have been the third major component of the post-war international economic system, the others being the organizations dealing with money and finance (i.e. the IBRD and the IMF). It was to be endowed with a wide mandate covering virtually all issues in the area of trade, employment and development, the objective being to facilitate, through the promotion of mutual understanding, consultation and co-operation, the solution of problems relating to international trade in the fields of employment, economic development, commercial policy, business practices and commodity policy.[1] The Havana Charter contained Chapters dealing with Purpose and Objectives (Chapter I), Employment and Economic Activity (Chapter II), Economic Development and Reconstruction (Chapter III), Commercial Policy (Chapter IV), Restrictive Business Practices (Chapter V), Intergovernmental Commodity Agreements (Chapter VI), as well as institutional aspects of the International Trade Organization (Chapter VII), Settlement of Differences (Chapter VIII) and General Provisions (Chapter IX).[2] In Article 96 of Chapter VIII, the Charter also forsaw the possibility of recourse to the International Court of Justice for the settlement of differences.

6. The Havana Charter was signed by 53 Member States of the United Nations in March 1948. However, for a variety of reasons, the United States Administration did not seek Congressional ratification of the Charter, thus leaving the ITO stillborn, as the other participants had made their acceptance of the Charter conditional upon ratification by the United States. The Commercial Policy provisions contained in Chapter IV provided the basis for the General Agreement on Tariffs and Trade (GATT), which was applied through acceptance of a Protocol of Provisional Application (i.e. until the Havana Charter came into force), permitting Contracting Parties to maintain existing trade legislation inconsistent with its provisions (i.e. the "grandfather clause"). The GATT is a multilateral treaty which, as a contract among and between the signatory Governments, embodies rights and obligations of a legal character. These rights and obligations bear directly on the formulation and conduct of national commercial policies. The GATT was, and continues to be, *de jure* administered by the Interim Commission for the International Trade Organization.

7. To a large extent the objective of establishing international principles, norms and rules in the areas covered by other Chapters of the Charter, such as investment, restrictive business practices, commodities, and development has been pursued within the bodies of the United Nations, mainly in the United Nations Conference on Trade and Development, but also in the United Nations Commission on Transnational Corporations, the Food and Agriculture Organization of the United Nations, the United Nations Commission on International Trade Law, and other forums.[3] Several multilateral trade-related agreements, which were not covered by the Havana Charter, were also negotiated and concluded under the auspices of the United Nations.[4] Moreover a number of prin-

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1 E CONF.2 78, Havana Charter for an International Trade Organization, Article I.6.

2 *Ibid*

3 In some cases, such activities and negotiations served to establish multilateral instruments, e.g. the Convention on Transit Trade of Land-locked States (1965); the Convention on a Code of Conduct for Liner Conferences (1974); the UN Convention on International Multimodal Transport of Goods (1980); the UN Convention on Contracts for the International Sale of Goods (1980); the UN Convention on Conditions for Registration of Ships (1986); the International Commodity Agreements, including the Agreement establishing the Common Fund for Commodities (1980); the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices (1981). In other cases, negotiations are still going on without certain prospects for success, e.g. on the International Code of Conduct on the Transfer of Technology or on the Code of Conduct for Transnational Corporations. The Food and Agriculture Organization of the United Nations' activities in the agricultural and commodity trade area provide a perspective useful to an understanding of these and other issues.

4 For example, the UN Convention on the Law of the Sea (1982), the Convention for the Protection of the Ozone Layer (1985).

ciples established and decisions taken on trade policy issues in UNCTAD were later incorporated as legal instruments under GATT.[5] The Bretton Woods institutions have also addressed trade-related matters in the context of their operations, as in the fashioning of structural adjustment strategies in the 1980s.

(b) Initiatives in GATT

8. Some of the provisions of the Havana Charter, or at least the concepts underlying them, were subsequently incorporated into the GATT, primarily at the 1955 Review Session of the GATT Contracting Parties. At that session, a draft Agreement on an Organization for Trade Co-operation (OTC) was drawn up with the intention of providing the GATT with a more permanent institutional status. The purpose was "to administer the General Agreement on Tariffs and Trade and generally facilitate the operation of that agreement", as well as "to study questions of international trade and commercial policy and where appropriate make recommendations thereon." The process was not pursued, as the United States was unable to implement the proposed agreement. Since that time no further formal attempts have been made to convert GATT into a new trade organization, although proposals were made in the context of multilateral trade negotiations to improve its legal status through the definitive application of the General Agreement (i.e. elimination of the Protocol of Provisional Application).

(c) Initiatives in the United Nations in the late 1950s and early 1960s

9. In the late 1950s, the idea of setting up an international trade organization was revived in the Economic and Social Council. In 1955 at the Council's twentieth session, a draft resolution to that effect was submittd by the USSR.[6] This initiative subsequently received support from developing countries, particularly at the Cairo Conference of 1962. The proposals adopted by that Conference led to a recommendation by the Economic and Social Council, during the same year, that a United Nations Conference on Trade and Development be convened.

10. On 30 July 1963, a memorandum on preliminary considerations regarding the main provisions for an International Trade Organization was submitted by the USSR to the Economic and Social Council at its thirty-sixth session and later to the Preparatory Committee of UNCTAD. It stressed the principles of universality, equality, MFN treatment, special treatment to developing countries, non-discrimination, etc., and also suggested that the trade organization should deal with a wide range of issues, such as the interrelationship between world trade and economic development, commodities, manufactures, commercial policy, price fluctuations, finance, disarmament, services, etc.[7]

11. At the same time a draft resolution on the Establishment of an International Trade Organization was also submitted by the Eastern European countries,[8] in which it was proposed that a single and universal international body should be established under the auspices of the United Nations to deal with the entire range of world trade questions. The draft resolution envisaged that such a trade organization should: i) be universal in character; ii) have sufficient authority to ensure compliance with its own recommendations and with those of the United Nations which relate to international trade and development; iii) be founded on principles acceptable to all countries, regardless of differences in their social systems and levels of economic development; iv) be open to participation by any country; v) be empowered to deal with all questions of international trade. Until such an organization was established, UNCTAD should continue to be convened periodically and serve in the transitional period as the highest specialized forum of the United Nations, bearing responsibility for promotion of international co-operation in the field of trade and development and drawing up appropriate recommendations to Governments, specialized agencies of the

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5 For example, Part IV of the GATT and decision waiver on the generalized system of preferences of 1971.

6 E/L.677, 14 July 1955.

7 E/CONF.46/51, E/CONF.46/PC/53; later this memorandum was annexed to the proceedings of UNCTAD I, E/CONF.46/141, Vol.V, pp. 428-9.

8 E/CONF.46/50/Rev.1, Add.1 and Add.2; later, the draft resolution was annexed to the proceedings of UNCTAD I, for details see E/CONF. 46/141, Vol V, pp 424-27.

United Nations, intergovernmental organizations and the Executive Council of the Conference on questions within the scope of the Conference.

(d) Past consideration in UNCTAD

12. Following these developments, an extensive examination of the possible establishment of an international trade organization took place at the first session of UNCTAD in 1964. On the basis of a comprehensive report prepared by a group of experts on this subject matter, which considered, *inter alia*, that the GATT "was not a sufficiently dynamic instrument for the assistance of the developing countries",[9] the report of the Secretary-General of the Conference suggested that "a new international trade organization free of such shortcomings should be established as the body responsible for carrying out the policy emerging from this Conference and from similar successive periodic conferences".[10]

13. UNCTAD was accordingly mandated to "review, in the light of experience, the effectiveness and further evolution of institutional arrangements with a view to recommending such changes and improvements as might be necessary; and to study all relevant subjects, including matters relating to the establishment of a comprehensive organization based on the entire membership of the United Nations system of organizations to deal with trade and with trade in relation to development".[11]

14. This issue was discussed under an item relating to "institutional arrangements" at subsequent sessions of the Conference and of the Trade and Development Board. At UNCTAD III in 1972, discussion under an agenda item entitled Review of the Institutional Arrangements of UNCTAD was stimulated by the circulation of a Brazilian Memorandum which suggested some guidelines for a Charter on International Trade and Development. These included an approach whereby the Trade and Development Board would formulate recommendations and proposals for the institutional transformation of UNCTAD, aimed at the preparation of a draft Charter of an International Trade and Development Organization, for consideration by the General Assembly. The Charter for the new organization would be based upon the set of fundamental principles adopted by the Conference at its first session in 1964, to cover international trade; science and technology; shipping; international financing; and monetary matters in their relationship to trade and development; as well as special measures in favour of the least developed countries. The Memorandum envisaged that the secretariat of the new Organization would be formed mainly by the merger of the secretariats of UNCTAD and GATT.[12]

15. Following discussions on the question of a comprehensive international trade organization, UNCTAD III directed the Secretary-General of UNCTAD to seek the views of Governments on this issue. His subsequent report to the Trade and Development Board stressed, *inter alia*, that while UNCTAD might be seen as an attempt to fill the gap between the GATT and the Havana Charter, it had made only a partial response in this respect, and despite its broad mandate had, in practice, only dealt with trade and development problems insofar as they arose in economic relations between developing and developed countries and among developing countries.

16. Subsequently, the issue was referred to the thirteenth and fourteenth sessions and sixth special session of the Trade and Development Board in 1973, 1974 and 1975 respectively. The

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9 A report on Commodity and Trade Problems of Developing Countries: Institutional Arrangements, which was prepared by a group of experts in pursuance of resolution 919 (XXXIV) of the Economic and Social Council. In the report, the group examined: (1) the problems of trade and development, primary commodities, export diversification, and other emerging problems; and (2) the activities of international organizations in relation to trade, particularly the General Agreement on Tariffs and Trade (GATT). It was concluded that GATT was defective from a horizontal standpoint because it was not concerned with international trade as a whole, and from a vertical standpoint because it does not regulate trade among countries at different stages of economic development. Its scope of action was therefore restricted and it was not a sufficiently dynamic instrument for the assistance of the developing countries. See E CONF.46 141, Vol.V, page 410, paragraph 212. The group also assessed the needs for the establishment of an International Trade Organization (ITO) and, in this regard, four proposals were put forward. For details see E CONF.46 141, Vol.V.

10 Towards a new trade policy for development, Part two, Chap.V, Sect. 1, reproduced in Proceedings... (first session), E CONF.46 141, Vol.II.

11 General Assembly resolution 1995 (XIX) of 30 December 1964 on the establishment of UNCTAD.

12 For details see TD L.48.

Secretary-General of UNCTAD submitted a report to the Board at its thirteenth session in which he expressed the opinion that "even if the will to establish a comprehensive trade organization were present throughout the entire membership of UNCTAD, there would be no shortcut for arriving at that goal. History bears witness to basic conceptual, political and legal difficulties inherent in undertaking such a far-reaching reform. In fact a considerable amount of fact-finding and detailed analysis would be necessary, against the background of the current institutional setting and of increasingly interdependent trade flows".[13] The report also referred to the growing interdependence of actions in the field of international trade, payments and finance as a factor affecting the institutional framework. While focussing on the problems arising from the the possible inconsistency or even incompatibility of decisions in different organizations, and looking ahead to the broader question of the characteristics of a comprehensive international trade organization, the report asked some fundamental questions which would have to be clarified before the design of such an organization could be undertaken.[14] The Board at its thirteenth session adopted a procedural decision referring the matter to its fourteenth session and calling for a further report by the Secretary-General of UNCTAD on the basis of Governments' views (decision 105 (XIII) of 8 September 1973).

17. At the fourteenth session of the Board, the Secretary-General of UNCTAD reported that no significant new elements had emerged from his consultations and suggested that the Board should convey its views on the matter to the General Assembly at its special session on Development and International Economic Co-operation (seventh special session). Accordingly, in resolution 120 (XIV) of 13 September 1974, the Board referred the question to its sixth special session (March 1975), to be considered in the context of the mid-term review and appraisal of the International Development Strategy. In doing so, it requested the Secretary-General of UNCTAD to submit a more detailed analysis of the issues involved.

18. The report submitted in response to this request suggested that any new institutional arrangements should respond to the following criteria: a) universality, in that all States should be allowed to participate in formulating policies and taking decisions; b) their rules should be based on agreed objectives and an agreed code of behaviour, reflecting the differing interests of all States, and should also take account of the role of transnational corporations in international economic relations; c) they should constitute a comprehensive and flexible framework for intergovernmental agreement and co-operation, with a differentiation of measures to deal with various categories of economic relations and for different types of international action, including deliberation, recommendation, negotiation, consultation and settlement of disputes; and d) their scope should be clearly defined in relation to other institutional arrangements in the economic and social sphere and they should be organically linked to interrelated arrangements in the areas of money and finance so as to ensure consistency and complementarity in approaches adopted and decisions taken. The report concluded that "neither UNCTAD nor GATT, or even the two together, satisfy all these criteria and hence new arrangements ought to be made to deal with trade and development problems in a comprehensive manner. For this purpose, an open-minded approach would be required, free of vested interests in existing institutions and inspired by an objective assessment of their strengths and weaknesses in relation to the functions to be performed. It would be no easy task, but it is a challenge which the international community should not ignore".[15] The Board decided to transmit the report, together with views expressed thereon, to the General Assembly at its seventh special session.

19. Institutional issues were again discussed at UNCTAD IV in 1976. The Conference, in its resolution 90 (IV), recognized that the strengthening of UNCTAD would be a step towards the objective, as envisaged in General Assembly resolution 1995 (XIX), paragraphs 30 and 31, relating to the creation of a comprehensive organization to deal with international trade and related issues of international economic co-operation.[16]

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[13] See TD B 455, para 6.

[14] These questions were namely: a) Should a whole range of degrees of commitment be envisaged, ranging from legally binding agreements to non-mandatory codes of conduct; b) Should there be only one set of trading rules of universal application or should there be, in addition, separate rules for each of the main trade flows; c) To what extent should a new trade organization go beyond accepting dependence on market forces as the main equilibrating element in the international economy, and adopt a managed approach to trade expansion, containing elements of concerted planning; and d) How could the new organization deal most effectively with the particular trade and development requirements of developing countries, including those specific to least developed among them. See Ibid., annex, para.10.

[15] TD B 535 and Add.1.

[16] TD/218(Vol.I), p. 39, I, para. 1 (d).

20. A brief review of the past consideration in UNCTAD on this subject matter was conducted at UNCTAD VI in 1983.[17] In the light of the results of the Tokyo Round of multilateral trade negotiations and their impact on the international trading system,[18] UNCTAD was given the specific mandate to study developments in the international trading system and to make policy recommendations as to its strengthening and improvement, with a view to giving it a more universal and dynamic character, as well as to making it more responsive to the needs of the developing countries and supportive of accelerated economic growth and development, particularly that of developing countries.[19] Pursuant to this mandate UNCTAD has prepared a number of studies on developments in the trading system, including for UNCTAD VII,[20] in whose Final Act this mandate was confirmed and extended.

(e) Proposals from the academic community

21. Throughout this period, the subject of an International Trade Organization retained considerable interest in the academic community, particularly during the 1970s. The ideas which emerged for the strengthening of institutional arrangements fall within a spectrum which, at one end, envisages a system derived from the GATT, but which would provide a guiding role in the management of the trading system for major trading countries and those willing to accept more binding obligations. This approach was perhaps best exemplified in the Atlantic Council's proposal for a "GATT Plus"[21] - a two-tier system where developed countries acting within the framework of GATT and in furtherance of its objectives would conclude a supplementary agreement (Code of Trade Liberalization) among themselves to liberalize trade in accordance with trade rules tighter than those of GATT and to administer those rules themselves on a weighted-voting basis.[22] Relations between the developed and developing members of GATT would continue to be handled in accordance with present GATT procedures and voting arrangements and developing countries would retain all their legal trade rights under GATT.[23] The outcome of the Tokyo Round could be regarded as a step in the direction foreseen by the Atlantic Council.

22. The other end of the spectrum foresaw a more comprehensive institution along the lines provided for in the Havana Charter, which would attempt to cover the widest range of international economic issues and involve universal participation.[24]

23. Miriam Camps advocated the establishment of a comprehensive global trade organization[25] open to membership for any State accepting a few common principles, whose mandate would cover all "trade-related structural issues" extending beyond the areas covered by GATT. According to Camps the two biggest institutional requisites in the general area of trade policy are the need to incorporate developing countries more fully into the global trading system and the need for more

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17 For details of that review see TD/326 (Vol.III), United Nations Publication, Sales No.E.83.II.D.8, pp.314-316.

18 See TD/274.

19 Conference resolution 159(VI).

20 See TD/328 Rev.1.

21 See Atlantic Council, *GATT Plus: A Proposal for Trade Reform* (Washington, 1976).

22 *Ibid.*, p. 6. In the view of the Council, the effect of the one-country-one-vote rule had been to give the controlling voice in all GATT decisions, even those affecting trade among the developed countries, to countries with a smaller volume of trade and a lesser ability, at their present stage of development, to assume new trade obligations. Under these circumstances the developed countries had tended to take their commitments in GATT less and less seriously. The Council proposed that decision-making be responsive to the economic weight of the participants.

23 Ibid., pp. 6-7. The new agreement would be open to countries which accept common trade rules and would remain open for later accessions. Countries which were developing could join when they reached a stage of development where they were no longer in need of special privileges and when they acquired a more direct interest in shaping and contributing a tighter trading system.

24 See, in particular, Camps, *Case for a New Global Trade Organization*, Council on Foreign Relations, Inc., New York, 1980, and also see S. Rossen, *Notes on Rules and Mechanisms Governing International Economic Relations* (Fantoft, Ch. Michelsen Institute, 1980) which addressed the post-Tokyo Round situation.

25 It was envisaged by Camps that such a comprehensive global trade organization could have many different subsidary bodies, such as: (i) tariff and trade code; (ii) other codes on trade-related questions; (iii) trade committee for developing countries; (iv) trade policy review board; (v) advisory council on the structure of the global economy; (vi) agriculture; (vii) commodities board; and (viii) council on direct foreign investment and business practices; some of these bodies would have broad mandates while others with narrow, issue-specific tasks, and some of them should be essentially concerned with rule-making and rule enforcement, others acting simply as consultative groups.

international concern with problems related to the process of structural change.[26] International concern with structural change should not only focus on national policies but consideration should also be given to international action to identify areas in which change is desirable and to assist the process of adaptation to new patterns of production.[27] An Advisory Council of the Organization would support this process through constant study of, and dissemination of information about the changing patterns of production and trade.

24. Stein Rossen built upon the proposals of Camps and others,[28] and urged that the international community reconsider the question of the establishment of a comprehensive trade organization (CTO), "a universal organization which would administer the world trading system and, in particular, be responsible for the management of trade-related structural change and adjustment within the framework of a broad approach to trade and development issues". This would cover "all factors of substantial relevance to industrial activity as an integral part of economic and social development", including "factor incomes and working conditions, technological developments, prices, rates of consumption and availabilities of non-renewable raw materials and pollution and other environmental factors". The CTO *inter alia*, would keep the patterns of investment, production and trade under continuous review, and be adequately informed about relevant TNC activities and the interplay between Governments and TNCs.

25. Recently renewed attention has been given to this issue in the context of the challenges posed by the Uruguay Round. For example, John Jackson recently observed that the multilateral trade system based on the GATT was being eroded by a shift to bilateralism, rising protectionism and neglect of rules by the major trading countries. The inclusion of the complex issues of services, intellectual property rights and investment in the Uruguay Round only served to increase the strain on GATT's structure. He identified such institutional problems as its "provisional" application, the difficulties in amending GATT Articles, the unclear relationship between the General Agreement and the MTN Codes, and the confusion with respect to the relationship between GATT and the domestic law of its contracting parties, and suggested a step-by-step reform approach addressed to each of those problems separately. While he favoured the establishment of a World Trade Organization (WTO), the model he envisaged would, unlike the ITO proposed in the Havana Charter, not contain many substantive obligations but would take the form of an umbrella instution, with a firm constitutional basis but "evolving substance", to administer and service GATT, the existing MTN Codes, the Uruguay Round results and future multilateral trade agreements.[29]

(f) Recent proposals for a multilateral trade organization in the context of the Uruguay Round

26. Proposals have been advanced in the Uruguay Round context by some developed countries to the effect that the outcome of the negotiations should result in GATT being given a permanent institutional basis through the establishment of a new international trade organization. The European Community has formally submitted a relatively detailed proposal to the Negotiating Group on the Functioning of the GATT System (FOGS) on 9 July 1990 advocating the Establishment of a Multilateral Trade Organization (MTO).[30] The principal objectives of the EC proposal were: a) to ensure the effective implementation of the results of the Uruguay Round; b) to adopt dispute settlement procedures applicable to all multilateral trade agreements; c) to establish a sound institutional framework for the GATT; and d) to provide the GATT with an adequate institutional basis to co-operate on equal terms with other organizations, in particular the IMF and the World Bank, so as to ensure greater coherence in global economic policy-making. It recommended the conclusion of a purely organizational agreement on an MTO without substantive provisions. An MTO of this kind would act as an umbrella for the administration of the GATT and other multilateral trade agreements (Tokyo Round Codes, services agreements, etc.). The

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[26] Camps, *op. cit.*, p. 18.

[27] *Ibid*, "Trade Policy Review Board", the principal trade policy body of the Organization.

[28] Rossen, *op.cit.*.

[29] See John Jackson, *Restructuring the GATT System* (London, Royal Institute of International Affairs, 1989).

[30] GATT MTN. GNG NG14 W 42, 9 July 1990. The G7, at its London summit, noted that a successful outcome of the Uruguay Round would also call for the institutional reinforcement of the multilateral trading system and the concept of an international trade organisation should be addressed in this context.

main elements of such a MTO treaty, as foreseen by the EC, would be: (i) provisions on membership and on a common organizational structure; (ii) the legal basis for taking actions on the implementation of the results of substantive negotiations; (iii) the establishment of an International Bureau or Secretariat; (iv) budgetary provisions; and (v) provisions on the legal capacity of the organization, privileges and immunities of its staff, relations with other organizations and final provisions (amendments, entry into force, etc.).

27. The Canadian delegation had earlier informally communicated similar ideas in April 1990, stressing the need for an institutional structure adapted so as to resolve the problems arising in incorporating the agreements expected to be reached in the Uruguay Round on trade in services and trade-related aspects of intellectual property rights (TRIPs) into the multilateral framework of trade rights and obligations, in resolving the legal and procedural problems involved in introducing amendments to GATT, and in revising the Tokyo Round Codes and clarifying their relationship with GATT

28. Somewhat different ideas were communicated to the FOGS Group by Switzerland,[31] which proposed the strengthening of both GATT as an institution and its co-operation with the Bretton Woods institutions. The Swiss submission aims at establishing GATT as the authority with the necessary knowledge and experience to conduct a meaningful trade policy dialogue, advocating a review of the mandate, structure, size and composition of the GATT Secretariat with a view to reinforcing its independent analytical capacity. The United States also presented a formal proposal to the FOGS Group on 18 October 1990 suggesting the establishment of a GATT Management Board with a view to improving the overall effectiveness and decision-making of the General Agreement.[32]

29. These instutional proposals have provoked divergent reactions from other participants, both developed and developing. Some have expressed a generally positive attitude to aspects of these proposals, and others have taken the position that such institutional matters with far-reaching implications were not covered by the Uruguay Round mandate. Yet others have expressed the view that these matters cannot properly be considered until the shape of the results of the Round became clear.

30. The draft Final Act presented to the Brussels Ministerial Meeting of the Trade Negotiations Committee in December 1990 envisaged that work would be initiated towards the establishment of an organizational agreement, although square brackets in the text indicated disagreement with respect to virtually all relevant aspects of this issue.[33] Some participants advocated the establishment of a new multilateral trade organization which would service both the GATT itself and the Uruguay Round Agreements, and would also provide the forum for the negotiation of agreements in areas related to trade and development. Other participants considered that a new organizational structure should only be considered after the completion of the Uruguay Round. Some participants also proposed that the basic elements of such an organizational agreement would be worked out by an Interim Committee to be established within two months after the date of the Final Act. The text of the draft Final Act constitutes the basic document for the resumed negotiations in the Uruguay Round in 1991.

(g) Suggestions made in the context of the United Nations/Economic and Social Council

31. The idea of a new initiative towards the establishment of an ITO has been revived in the United Nations. In a statement to the Economic and Social Council at its 1990 summer session, the UNCTAD Secretary-General drew attention to a number of issues arising from discussions at the thirty-sixth session of the Trade and Development Board about institutional questions raised during the Uruguay Round. These issues, he believed, were of concern to the Economic and Social Council in view of the role accorded to it by the United Nations Charter. The view had been advanced that proposals currently on the table were a reminder of the incompleteness of existing

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31 GATT MTN.GNG/NG14 W 41, 17 May 1990.

32 This proposal recalled that the Havana Charter contained provision for the Executive Board within the ITO and suggested that the GATT Management Board would be established at the Ministerial level with wide functions, including taking primary responsibility for developing an outline, for the consideration of the Contracting Parties, of a successor organization to the GATT (GATT MTN.GNG NG14 W 45, 18 October 1990).

33 MTN.TNC W 35 Rev.1, 3 December 1990.

structures in the area of international trade. While the objectives that had inspired some of these proposals appeared legitimate, concerns had been expressed by some developing countries that the linkage implicit in such proposals between rights and obligations in the new areas under negotiation with those in the goods sector would, if accepted, legitimize the threat of cross-retaliation against weaker trading partners.

32. Reference had also been made to a number of systemic factors in the evolution of the world economy which would have to be taken into account in any effort to strengthen the relevant international organizations. These included the growing interactions between trade, investment, technology and services; massive capital flows unrelated to trade which have tended to generate exchange rate instability with adverse consequences for international trade, rapid technological development which is exerting a far-reaching influence on comparative advantage based on natural resource endowment, and the emergence of trading blocs involving major trading partners which, if unwisely managed, could further fragment the trading system. Finally, while the search for greater coherence in global economic policy-making appeared to command general support, fears had been expressed regarding the possibility of cross-conditionality arising from the type of collaboration envisaged between the IMF, World Bank and GATT.

33. In view of these considerations and in the light of the wide-ranging responsibilities conferred by the Charter on the United Nations in respect of the co-ordination of international economic policy, the Secretary-General of UNCTAD suggested that the time had come for the General Assembly and the Council to consider exercising appropriate oversight in relation to future institutional arrangements in the area of international trade. In his view, the United Nations is ideally situated by virtue of the Charter to promote coherent policies in such interrelated fields as investment, technology, trade, money and finance and the collective management of the world economy. These are areas in which the responsibilities of international institutions are divided and where inconsistencies are apt to occur. He recalled that many of the basic ideas underlying the Havana Charter remained valid: any new arrangements should be comprehensive in subject coverage, universal in membership, based on agreed objectives and norms of behaviour, responsive to the interests of all members, equitable in decision-making, and organically linked to related structures in the areas of money and finance.

34. At the same session, the Economic and Social Council adopted resolution 1990/57 requesting the United Nations Secretary-General to report to the General Assembly at its forty-sixth session, through the Economic and Social Council at its second regular session of 1991, on institutional developments related to strengthening of international organizations in the area of multilateral trade, taking into account the provisions of paragraph 32 of the Declaration on International Economic Co-operation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, adopted by the Assembly at its eighteenth special session,[34] which had called for the strengthening of international institutions in the area of multilateral trade.

35. As recalled in paragraph 1 above, the Economic and Social Council resolution was reaffirmed by General Assembly resolution 45/201 of 21 December 1990, which in addition requested the Secretary-General, in preparing the report, to solicit the views of all Governments and the executive heads of the specialized agencies and other organizations and programmes of the United Nations system on this matter.

36. At the second regular session of the Economic and Social Council of 1991, UNCTAD made

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[34] Subsequently, the Group of 15 (a group of developing countries with major trading capacity), at its Ministerial Meeting held in New York on 28 September 1990, issued a statement which included the following observations:

> "... Participants considered that the proposals for a new Multilateral Trade Organization (MTO) to implement the results of the Uruguay Round, as presented, are limited in scope, not fully responsive to the needs of trading nations, especially the developmental aspirations of the developing countries, and could moreover serve to legitimize retaliation in the form of trade restrictions in response to developing country policies on services or technology. The participants therefore expressed the view that the time is ripe for discussion within the UN system on the establishment of a comprehensive International Trade Organization. This matter should be taken up at the current session of the G.A., as well as at UNCTAD VIII in 1991, taking advantage of the present improved climate of international relations in general, and particularly the strengthened support being given to the UN."

a progress report on the status of work relating to the preparation of this report.[35] There were some discussions on this subject matter. While it was the view of some delegations that at this juncture the report of the United Nations Secretary-General to the forty-sixth session of the General Assembly would be premature and the discussion on this matter could be initiated after achieving results in the Uruguay Round, others called for the initiation of work towards a universal, comprehensive and democratic UN-based International Trade Organization that would pay special attention to the relationship between trade and development, provide equity in decision-making and also encompass commodities, transfer of technology to developing countries, issues related to sustainable development, restrictive business practices and development finance.

(h) Other proposals

37. The issue of reform of international institutions was discussed in the South Commission report - the *Challenge to the South*. This report argued that the pivotal role of the United Nations in the management of the international economic system should be secured. With the easing of world political and military tensions, the demands on the United Nations in its primary traditional role - to preserve international peace and security - could be expected to subside, allowing it to give a higher priority to economic and social issues. Furthermore, the increasing globalization of the world economy posed problems for the solution of which no international set of mechanisms existed. While taking into account the growth in the activity of transnational corporations and other transnational actors, and of the greater prominence of transnational issues, such as environment, the uses of outer space, etc., it further argued that there was an urgent need to strengthen the role of the United Nations in the management of the world economy. It also felt that equally essential to an improvement in global economic management and decision-making was the reform of the voting structure of the principal multilateral financial institutions. Most importantly, it seemed opportune and was suggested that a summit of leaders of a representative group of developed and developing countries should be convened periodically, under the auspices of the United Nations, to review the world economic situation, the prospects for development, and the environment with a view to exploring the interrationship of the various components of the world economy, notably the monetary system, finance, and trade, their links with international political and security matters, and their impact on the development prospects of the developing countries. Such summits should recommend guidelines for action by various specialized agencies of the United Nations and other major actors on the global scene.[36]

38. The need to strengthen international institutions in general to promote multilateral cooperation in the areas of peace and security, development, environment, population, democracy and human rights and global governance has been the focus of the recent *Stockholm Initiative on Global Security and Governance*.[37] In particular, the latter proposed "a strengthening of the multilateral framework of trade-related agreements, reducing protectionism on all fronts, and expanding opportunities for developing countries' participation in world trade"[38] as a means to create a more conducive international environment for the 1990s. Some other related suggestions were also made, such as: (i) broadening of the United Nations mandate at the Security Council level to handle the security dimension of economic and ecological issues; (ii) defining a clearer division of labour between the IMF, the World Bank, the regional banks and the United Nations organizations, in particular UNCTAD; (iii) expanding and strengthening of the GATT. Finally, a general policy recommendation was proposed that "the International Monetary Fund and the World Bank be coordinated, among themselves and with the United Nations system and GATT, with the aim of a clearer division of labour, better harmony and full universality in their work.[39]

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35 See document E 1991 98 and the introductory statement on this subject matter by the Deputy to the Secretary-General of UNCTAD.

36 *Challenge to the South*, South Commission Report, Geneva, 1990, pp. 263-265.

37 The Stockholm Initiative had brought together some of the world's prominent persons, who on 20-22 April 1991 formulated a number of proposals to meet the major challenges for the 1990s by coordinated multilateral action. It continued to some extent the work of the international independent commissions of the 1980s, chaired by W. Brandt (North-South Commission), O. Palme (Independent Commission on Disarmament and Security Issues), G.H. Brundtland (World Commission on Environment and Development) and J. Nyerere (South Commission).

38 *Common Responsibility in the 1990s - the Stockholm Initiative on Global Security and Governance*, 22 April, 1991, Stockholm, p. 23.

39 *Ibid*, p. 40.

C. Need and opportunity for institutional reform in the area of multilateral trade

39. Four main themes can be identified from the various approaches advanced toward strengthening international trade organizations. They stress the need to (a) effectively address the issues arising from the growing interdependence in the world economy, including the globalization of markets and interlinkages between trade, technology, investment and services; (b) ensure universality of participation in decision-making and comprehensive subject coverage; (c) enable the developing countries to transform their economic structures and improve their levels of living in the context of accelerated and sustained world economic development; and (d) strengthen the administrative and institutional support for the implementation and enforcement of multilateral agreements.

40. Increasing interdependence among national economies encompasses greater reliance on international trade in virtually all countries, amplifying the impact of international trade policy decisions. It is also reflected in increased international flows of finance, investment, information, labour and technology, which play a key role in competitiveness in world trade. For example, technology transfer and the incorporation of new technologies in manufacturing processes are of major importance to developing countries, as new technological developments have led to a considerable erosion of the comparative advantage enjoyed by developing countries in the production of traditional commodity exports. Efforts to establish more extensive international disciplines in a number of these areas have led to an expansion of the agenda of international economic organizations. This agenda now goes far beyond the traditional issues concerning trade in goods and transport, to include issues relating to production structures, international property rights (intellectual property, investment) and services, which itself covers a spectrum of issues, including labour movement, culture and electronic data flows.

41. No organization has the mandate to deal with these issues in a comprehensive fashion. The mandates of existing organizations overlap in some areas; in other areas responsibilities that should be carried out in their integrity are divided, and as noted, there are lacunae with respect to some issues. A key factor in this regard is the extent of which the major trading countries are willing to engage in multilateral discussion or negotiations and to enter into contractual agreements on particular subjects. Presently, however, in spite of growing economic interdependence and globalization, the necessary conditions for a comprehensive international governance of cross-border transactions are still far from being realized.

42. Growing interdependence underscores the importance of the long-sought goal of universality, in that all countries should be able fully to participate in the international decision-making process, and that their views and interests should be reflected in international arrangements. Moreover, regionalism as a force remains strong; intra-regional trade should enhance the diversity of international trade, serve as a building block for a more dynamic trading system and increase the effectiveness of international trade as a vehicle for promoting development. Ensuring free and fair trade at the regional as well as at the global level should also be an objective of efforts to strengthen international institutions in the area of trade.

43. The enlargement of the trade agenda over the years to include a variety of related development issues has been a positive trend. Yet under existing arrangements, traditional trade issues (such as tariffs, and non-tariff measures), the evolving relationship between trade and development, and various functions and sectoral issues (such as, for example, the administration of contractual obligations and investment) are addressed in different institutions, from differing standpoints and in apparently disconnected fashion. While existing institutions have proved their worth, a simple enlargement of their agendas without regard to their relative technical expertise and experience as well as modes of operation and decision-making capabilities will not necessarily ensure success. The difficulties experienced by Governments with regard to the inclusion of investment, services and intellectual property issues in the Uruguay Round are illustrative of the underlying problem.

44. There is a need, too, to strengthen institutional arrangements so that a consensus on a given issue can not only be developed with due regard to its interlinkages with other issues, but also

translated into multilateral understandings as a basis for codes of conduct, contractual rules, or joint and concerted action by Governments. Some issues, particularly those of special interest to smaller and more vulnerable countries, may never be properly considered, while others may be only partially dealt with or reflected in multilateral agreements. The various obligations, codes of conduct and understandings developed in the existing institutions are not all equally effective, binding, enforceable or followed up in national legislation and policies. The evolution as well as the implementation of agreed understandings is necessarily fragmented because of the fragmented state of the institutional structure. For some issues, there are no effective internationally agreed rules; for example there is no multilateral framework for foreign direct investment. For others, existing international understandings have not evolved to reflect changes that have taken place in policy perceptions at the national level, or in the ways in which economic operators actually make decisions and effect transactions in the context of modernized corporate structures and globalized production processes.

45. Another challenge to the international trading system which has yet to be reflected in current institutional arrangements is that of ensuring the compatibility of trade policies with those for the protection of the global environment and the requirements of sustainable development. This requires a global consensus as to priorities and criteria which would counter the abuse of environmentally motivated measures for protectionist purposes, and provide a basis for any future modification of multilateral trade rules that might be required.

46. A reformed institutional framework for international trade should provide a firm political basis adequate for equitable multilateral economic co-operation. Smaller countries require effective international institutions, as well as agreed rules, to protect them against the possibility of unilateral and discriminatory action by larger trading partners. Larger entities share the same requirement, if only for the purpose of underpinning orderly economic interchange and discipline over divergent economic interests in the policy formulation process. The growing resort to unilateral decision-making and bilateralism hampers consensus-building. In the absence of consensus, negotiations of multilateral agreements on trade-related issues have tended to be marked by lack of transparency, bilateral bargaining, and the deployment of the economic weight of larger entities.

47. The evident increased confidence in the potential of the United Nations, and the signs of a revival of multilateralism, provide the international community with an unprecedented opportunity to take effective initiatives for the strengthening of international organizations dealing with multilateral trade. The universal recognition of the importance of an open trading system, and the wider acceptance of outward-looking market-oriented economic policies as a stimulus to trade and sustained economic development, underscore the timeliness of such an effort. The General Assembly and Economic and Social Council resolutions constitute a necessary starting point for the process of evolving the strong institutional arrangements required to deal with the trade and trade-related issues of the coming decade and beyond.

D. Issues to be considered in strengthening institutional arrangements

48. The strengthening of international organizations in the area of multilateral trade should be seen as an integral part of efforts to revitalize the central role of the United Nations in providing a stable economic basis for the maintenance of world peace and security, and for the effective pursuit of the objective of sustainable world economic development. As indicated above, the failure of the Havana Charter to enter into force led to a fragmentation of institutional structures dealing with trade and trade-related issues. The inclusion in the constituent instrument of UNCTAD (General Assembly resolution 1995 (XIX)) of a mandate as far back as 1964 to work towards the establishment of a comprehensive organization to deal with trade and with trade in relation to development suggests that the international community has long been concerned to remedy this shortcoming.

49. To be successful, efforts to strengthen international organizations in the area of multilateral trade must be adapted to the realities of the 1990s, which are the result of rapid political, economic and technological changes of the preceding decade. There is now virtually universal acceptance of the merits of an open, competitive and non-discriminatary international trading system. If such

a trading system is to provide a stimulus to the development process, good national and international economic management, adequate financial resources and secure and non-discriminatory access to markets among other things remain essential. However, these conditions are not sufficient to provide countries with the means of competing in an open trading system and thus to improve their position in the international division of labour. This would require that international organizations address a wider range of issues, including access to technology and to information, capital and labour flows, as well as competition law and the elimination of anti-competitive practices. In addition, there is the need to ensure that international trade does not result in an exacerbation of disparities in standards of living or in the marginalization of countries in the trading system and that trade policies and related development strategies conform to the global public interest in sustainable development.

50. Furthermore, not all countries will be able to derive effective benefit from a more competitive trading environment in the short or medium term. Many countries, particularly the least developed among them, are burdened with handicaps of a structural geographical or historical nature, and will require the assistance of the international community as a whole, if they are to participate effectively in the trading system.

51. The GATT, as a multilateral treaty, has served as the mechanism for the translation of the general principles of the international trading system into rights and obligations of a legal character as between and among contracting parties which bear directly on the formulation and conduct of national policies with respect to trade in goods. The Uruguay Round may well result in multilateral agreements in other areas, including intellectual property rights and trade in services (the latter aimed at a multilateral contractual framework for concessions in such diverse areas as labour movement and electronic data flows). This expectation has stimulated initiatives for possible new institutional arrangements to administer and implement these various instruments. The question that has arisen in this context, namely whether and to what extent the establishment of a common institutional framework would imply a link between the rights and obligations contained in these various instruments, is particularly relevant for future decisions to negotiate contractual multilateral agreements in other areas of trade and economic relations.

52. As experience has amply illustrated, problems are apt to arise if negotiations of contractual multilateral agreements are launched without the prior establishment of a firm international consensus as to objectives, and without *inter alia* a clear recognition of the specific problems and needs of countries, particularly the smaller and more vulnerable developing countries. One lesson of this experience is that any new institutional mechanism should embody sufficient flexibility in its functioning so that, as issues become ripe for the negotiation of contractual multilateral agreements, the relevant negotiations would not necessarily have to await global rounds of MTNs based on a perception of the need for an overall package deal. Moreover, in many cases the solution to the trade and trade-related development concerns of particular countries or groups of countries may lie in the adoption of specific, concerted policies and measures by the international community, rather than in longer-term negotiation of contractual agreements.

53. The international agenda for the 1990s includes a number of emerging issues which, while not yet ripe for negotiation of contractual agreements, demand urgent policy analysis, substantive multilateral dialogue, and the development of common perceptions. Some of these issues, such as those mentioned in paragraph 30 above, could lead to a review and enlargement of the principles of the trading system to adapt them to the current realities. While the basic principles of unconditional MFN treatment, access to markets and trade liberalization retain their validity, there may be need to consider specific principles concerning (i) the rights of all countries to compete in an open trading environment; (ii) the special cases of poor and vulnerable countries, which are unable to compete normally in the trading system and therefore require supportive international policies and actions; (iii) the relationship between trade and factor flows (investment, technology, labour movement); (iv) access to technology and information, safeguards against anti-competitive practices and related aspects of the activities of private operators; and (v) the protection of non-trade concerns related to trade, such as social security and global environment.

54. In addition, institutional reform aimed at strengthening international organizations in the area of multilateral trade would have to address several questions on which little consensus exists as yet, taking into account past experience, the revealed inadequacies of the present institutional structures, particularly in dealing with matters going beyond the traditional multilateral trade agenda, and the new political, economic and social realities of the 1990s. These questions include:

(a) Enabling the international community more effectively to set objectives with respect to international trade and development, within a framework designed to facilitate consideration of interrelated issues, including trade, finance and investment, technology, anti-competitive practices, information, access to networks and distribution channels, and services including labour migration, taking fully into account their implications for sustainable development;

(b) Ensuring maximum transparency and the full participation of all countries in the international decision-making process and contributing to greater coherence in global economic policy-making, through the formulation of broad guidelines and effective co-ordination among relevant international organizations;

(c) Providing a source of intellectual support and a forum for international consensus building in pursuance of these objectives, and thus providing a solid basis for decision-making;

(d) Establishing processes for translating these objectives and emerging consensus into concerted action by member countries through the acceptance of general principles, programmes of action tailored to particular situations and the negotiation of contractual multilateral agreements;

(e) Providing an improved mechanism for the administration of contractual multilateral agreements on trade in goods, agreements which may arise from the Uruguay Round on trade in services and trade-related intellectual property rights, and future agreements which may be negotiated (e.g. competition law, environment, investment, TNCs, technology, etc.);

(f) Providing a framework for the implementation and surveillance of the principles, programmes and agreements mentioned in (d) above, and an independent mechanism for the reconciliation of different positions and conflicting interests in that regard, as well as for the systematic monitoring of trade policies and practices of individual countries or groups of countries and their impact on the functioning of the trading system;

(g) Strengthening secretariat support capacities, including capacities for independent research and policy analysis, for initiatives and for the provision of technical assistance and expertise to enable smaller and more vulnerable countries effectively to take part in and advance their interests in consensus-building and negotiating processes;

(h) Strengthening and streamlining mechanisms for mutual support, collaboration and co-ordination between programmes and agencies of the United Nations system, particularly to enhance the contribution of relevant specialized agencies and organs of the United Nations, including regional commissions, to the process of consensus-building, negotiation and implementation.

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DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION: IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990S

Report of the Secretary-General

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I. INTRODUCTION

1. In its resolution 45/206 of 21 December 1990, the General Assembly endorsed the Paris Declaration and the Programme of Action for the Least Developed Countries for the 1990s, 1/ adopted by the Second United Nations Conference on the Least Developed Countries, held in Paris from 3 to 14 September 1990; recalled that the prime objective of the Programme of Action is to arrest the further deterioration in the socio-economic situation of the least developed countries (LDCs), to reactivate and accelerate their growth and development and, in the process, to set them on the path of sustained growth and development; reaffirmed the basic principles outlined in the Programme of Action as the basis for action by the LDCs and their development partners to promote fundamental, growth-oriented transformation of the economies of those countries; called upon all Governments, international and multilateral organizations, financial institutions and development funds, the organs, organizations and programmes of the United Nations system and all other organizations concerned to take immediate, concrete and adequate steps to implement the Programme of Action; reaffirmed that the LDCs have the primary responsibility for the formulation and effective implementation of national policies and priorities for their growth and development; and urged all donor countries to implement fully and expeditiously their commitments in all areas, as set out in the Programme of Action, so as to provide adequate external support to the LDCs. 2/

2. In the same resolution, the General Assembly set out a number of provisions concerning the implementation of the Programme of Action, including the review and monitoring of the progress in its implementation. It decided that the United Nations Conference on Trade and Development (UNCTAD) should continue to serve as the focal point for the review and appraisal of the implementation of the Programme of Action and its follow-up at the global level, and requested the Secretary-General to submit to the General Assembly at its forty-sixth session a report on the implementation of the resolution and also to report, on a continuing basis, on the implementation of the provisions of the Programme of Action. The present report has been prepared by the secretariat of UNCTAD in response to that request. It presents a broad view of progress achieved in the first year of implementation of the Programme of Action adopted by the Paris Conference and describes the mechanisms put in place for the review and monitoring thereof. As a fuller review of the implementation of the commitments and measures contained in the Programme of Action is scheduled to take place in the spring of 1992, emphasis is given in the present report to the follow-up arrangements made in response to Assembly resolution 45/206. As a backdrop, section II below gives an overview of the recent economic performance of the LDCs and policies and measures adopted by them in line with the provisions of the Programme of Action; section III sets out the overall arrangements made for implementation, follow-up and monitoring and review of the Programme of Action; section IV describes in more detail measures taken by organs, organizations and bodies of the United Nations system, while section V presents available information on international support measures taken since the Paris Conference in the fields of external resources, debt and trade.

II. RECENT ECONOMIC PERFORMANCE AND POLICY DEVELOPMENTS IN THE LEAST DEVELOPED COUNTRIES

3. Global economic trends in 1990-1991 have provided an unfavourable context for the reactivation of growth in the LDCs called for in the Programme of Action. Stagnation or recession in developed countries, which are major markets for LDCs' exports, as well as the dominant source of external finance for these countries, have a close bearing on socio-economic developments in the LDCs. The slowdown of world economic growth accompanied by a deceleration of world trade expansion and a decline in real prices of major non-fuel commodities thus adversely affected the performance of the LDCs in this period. Projections made by the UNCTAD secretariat indicate a continuing stagnation of their overall economic growth: the total gross domestic product (GDP) of the LDCs as a group is estimated to have grown at a rate of about 2.5 per cent in 1990, and projections for 1991 show a growth rate of possibly 2.7 per cent for these countries. This implies negligible or negative per capita growth rates for a large number of LDCs.

4. Several unforeseen events have caused additional hardships to the LDCs since the adoption of the Programme of Action in 1990 and clouded the short-term outlook for these countries. They have been adversely affected by the economic consequences of the conflict in the Persian Gulf through higher import and transportation costs, consequent further deterioration in their trade balances and disruptions in international tourism. Severe economic losses were also experienced by several LDCs through reduced flows of private remittances from nationals previously employed in the Gulf region and costs related to their repatriation and resettlement.

5. In addition to an inclement external economic environment, natural and man-made disasters continue to cause heavy losses to LDCs. In the first half of 1991, Bangladesh was struck by a cyclonic disaster that was one of the worst catastrophes in the history of the country and caused the death of some 140,000 people and extensive damage to the country's infrastructure and industrial plants. A number of African countries, LDCs prominently among them, suffered from drought conditions and/or floods, which has again led to requirements for emergency food aid on a large scale. Civil strife and regional conflicts have in some countries aggravated drought-induced food shortages, and have displaced millions of people in the LDCs.

6. Thus, for the most part, the economies of the LDCs remain weak and unstable and their situation is characterized overall by the absence of positive trends. With the agricultural sector generally contributing more than half of GDP, weather conditions continue to be a key factor in economic performance. The year 1990 was a particularly poor one for African LDCs as a group, with GDP growth rates falling to their lowest level since 1985. The encouraging performance of some countries, such as Botswana and Cape Verde, was offset by the disappointing levels of economic activity in the majority of countries. Certain domestic activities dependent on oil imports, in particular manufacturing and transport, contracted. The overall trade and current account deficit of this group of countries widened further. The

performance of the Asian LDCs was also mixed in 1990. At one extreme, Bangladesh recorded an impressive economic upturn in 1990, before the setback caused by the cyclonic disaster the following year. However, GDP growth in many LDCs in the region remained low as they were faced with severe adjustment problems, including inflationary pressures and lack of capital for basic infrastructure development.

7. In this situation, LDCs have initiated or continue to pursue major programmes of economic policy reform. This needs to be emphasized as one of the major current developments in the LDCs, contrasting with the external and domestic disruptions referred to above. To restore growth and address the deteriorating balance-of-payments situation, domestic currencies have been devalued, government spending is being trimmed and monetary policies tightened in various LDCs. Trade policy reforms are, moreover, generally an essential part of these programmes. In this context, a number of countries have undertaken to rationalize tariff structures and reduce effective rates of protection, for example, by eliminating quantitative import restrictions and/or other non-tariff measures having similar effect. LDCs have also taken steps to rationalize and increase the efficiency of the public sector, strengthen human and institutional capacities and promote private initiatives for development, including private enterprise and foreign investment.

8. Some two thirds of the LDCs had up to mid-1991 drawn up framework plans for economic policy reform and received funding for their implementation under arrangements with the International Monetary Fund (IMF). Seventeen such arrangements were in force at the end of July 1991. An even larger number of LDCs were pursuing various sectoral adjustment programmes. Several LDCs, which did not previously have internationally-agreed structural adjustment programmes, adopted such reform programmes during the first half of 1991 and, at the same time, countries which did not have active aid coordination arrangements at the global level, during the latter half of the 1980s, joined the round-table process.

9. The political reform process in LDCs during 1990-1991, aimed at establishing more participatory development and transparent political systems, has been no less significant than the movement of economic adjustment and reform. Major political changes in this direction took place during this period in Bangladesh and Nepal. There is also a widening trend of reform of political institutions among the African LDCs, which has so far expressed itself in democratic transition through free elections, as in Benin and Cape Verde, the adoption of constitutional reforms allowing for multi-party systems and a series of national conferences held in various LDCs. These developments are significantly linked to efforts to move towards more market-oriented economies. They allow possibilities for more broadly based participation in the development process and the release of private initiative and enterprise. However, it is to be noted that the process of adjustment and periods of transition towards new political systems are complex and difficult and are often accompanied by socio-economic disruptions and instability.

III. ARRANGEMENTS FOR IMPLEMENTATION, FOLLOW-UP AND MONITORING AND REVIEW OF THE PROGRAMME OF ACTION

10. Arrangements for implementation, follow-up and monitoring and review of the Programme of Action are, as in its predecessor programme, the Substantial New Programme of Action for the 1980s for the Least Developed Countries (SNPA), built on a three-tier structure of national, regional and global follow-up. However, there are a number of new provisions adding to this process and aiming to strengthen both the modes of implementation and the mechanisms for monitoring and review. One such new element is the annual review of progress in the implementation of the Programme of Action to be undertaken by the Trade and Development Board of UNCTAD. The General Assembly, in its resolution 45/206, noted that mechanisms such as the United Nations Development Programme (UNDP) round tables and World Bank consultative groups will continue to constitute the backbone of the country-review process, identified in the Programme of Action as the principal mechanism for implementation and follow-up at the national level. It set out specific recommendations for strengthening that process, and also recommended that necessary links should be established between the follow-up at the national, regional and global levels. This section gives an account of action taken by the organizations concerned in response to the decisions and recommendations of the General Assembly with respect to the above, and briefly reviews country-level arrangements for implementation and follow-up.

11. Two weeks after the closing of the Paris Conference, the Heads of State and Governments of the LDCs held their first meeting, at United Nations Headquarters, on 1 October 1990. They adopted a Declaration welcoming the outcome of the Conference and the adoption of the Programme of Action. At the same time, they called attention to the fact that the turbulence on the international scene created by the crisis in the Persian Gulf would make the development of the LDCs an even more uphill task, and urged the international community to undertake special measures on a priority basis to assist them to cope with the resulting problems. They further noted that the United Nations and the organs, bodies, programmes and specialized agencies of the United Nations system had a special reponsibility for the pursuit of the goals and objectives of the new Programme of Action, urging the Secretary-General to mobilize all resources and undertake the necessary measures enabling the entire system to live up to the challenge.

12. In their Declaration, the Heads of State and Government of the LDCs also commended the initiative by all LDCs increasingly to coordinate their position to articulate effectively their various concerns and development priorities. Subsequently, the General Assembly, in its resolution 45/206, invited all Governments, UNCTAD and other organs, organizations and bodies of the United Nations system to assist the LDCs in undertaking consultations among themselves on matters of common interest in the context of the implementation of the Programme of Action.

A. Follow-up at the national level

13. A strengthened country-review process is envisaged as the principal means of policy dialogue and of coordinating the aid efforts of development partners with the development programmes of the LDCs, as well as for mobilizing the required resources for their implementation. This objective is to be secured through the organization of country-review groups on a more systematic basis and at regular intervals, the adoption of a country-review process by LDCs that do not have such groups, and the provision of assistance by development partners for strengthening the capacity of LDC Governments to ensure their leadership role in the process.

14. Twelve of the LDCs have consultative and aid group arrangements for which the World Bank acts as lead agency (although not all of these are currently active), while most of the others have opted for the UNDP-sponsored round-table process. Since the adoption of the Programme of Action up to mid-1991, 10 country review groups for LDCs were convened. The Nepal Aid Group met in October 1990, the Consultative Group for Mozambique in December 1990, the one for Uganda in March 1991, the Bangladesh Aid Group in May 1991, the Consultative Group for the United Republic of Tanzania in June 1991 and the one for Haiti in July 1991. Meanwhile, four UNDP round tables were organized: for the Gambia, in December 1990; the Central African Republic, in April 1991; Burkina Faso in May 1991; and the Comoros in June 1991. Around half a dozen other country-review meetings were tentatively scheduled for later in 1991 and early 1992. Moreover, special donors' meetings concerned with the financing of the economic development and structural adjustment programmes of Rwanda and Benin were organized in March 1991 and June 1991, respectively. The overall number of country-review meetings does not yet show any marked increase as compared with the period preceding the Programme of Action. However, it is noteworthy that LDCs hitherto outside the country review process in its present format are joining this process. The round-table meeting for Burkina Faso was the first held for that country, while Benin, the Comoros, the Gambia and Rwanda did not have active aid coordination arrangements at this level in the latter half of the 1980s.

15. All of the LDCs mentioned above were at various stages in the implementation of structural adjustment programmes. According to assessements by the lead agencies for these groups, they were felt to have provided a useful forum for policy dialogue and aid coordination. They were also, although not without exception, fairly successful in terms of resource mobilization. Financing requirements presented at three of the four UNDP round tables were adequately met, while donors pledged substantial increases in assistance at four of the consultative and aid group meetings held since the adoption of the Programme of Action, with provisions for both quick-disbursing aid and debt relief.

16. The lead agencies have taken steps both to encourage the organization of country review groups on a more systematic and regular basis and to strengthen the leadership role of LDC Governments in tnis process. Particularly

noteworthy are the efforts the UNDP has made in this regard. A letter was addressed by the Administrator of the UNDP to all LDC Governments having opted for the round-table process, calling their attention to the Programme of Action and its follow-up and monitoring mechanisms and proposing a stepped-up calendar for round-table meetings. UNDP has also taken steps to make the round table process more effectively managed by UNDP and to strengthen the substantive capacity of its field offices to provide support for this process, with particular emphasis on economic management activities. To this end, a workshop on round-table issues and procedures was organized in May 1991, drawing particularly on the experiences gained in African LDCs. The discussion initiated at the workshop is expected to lead to the definition of a new approach to the round table process, which would, inter alia, aim to incorporate the process in the country's own planning, economic management and aid coordination systems. The UNDP Regional Bureau for Asia and the Pacific has already drawn up revised guidelines for round tables in the Asia-Pacific region.

17. A central topic of discussion at the above-mentioned workshop in May 1991 was the means to strengthen the leadership role of LDC Governments in the process, and the need for a comprehensive and coordinated approach to building up LDCs' capacities in policy analysis and economic management. The guidelines drawn up by the UNDP Regional Bureau for Asia and the Pacific already identified weak national capacity for planning and management of development resources as a key constraint limiting the effectiveness of the round-table process, and stressed the need for capacity building and resting the main responsibility for the process with recipient Governments. Similar issues were addressed in an evaluation of aid coordination in the LDCs presented to the session of the UNDP Governing Council in June 1991.

B. Follow-up at the regional level

18. The Programme of Action called upon the regional commissions to contribute to the follow-up process by addressing, as part of their ongoing work, the needs and problems of the LDCs. Moreover, they were asked to monitor, in coordination with UNCTAD, progress in economic cooperation between LDCs and other developing countries, particularly those in the same region, and to organize regularly cluster meetings with all countries concerned in order to improve and strengthen existing cooperation arrangements at the regional and subregional level.

19. A follow-up to the Programme of Action was considered by the Ecomomic and Social Commission for Asia and the Pacific (ESCAP) at its forty-seventh session, held in Seoul in April 1991. The Commission had before it the Economic and Social Survey of Asia and the Pacific 1990, which, inter alia, described the macro-economic performance of the LDCs in the ESCAP region. The Commission noted with concern that, in general, economic growth in these countries remained weak and unstable, lacking any significantly positive trends, and noted as well the increasing incidence of natural calamities adding to the continuing structural problems faced by these countries. In its

resolution 47/13, the Commission requested the Executive Secretary to take a series of measures for the implementation of the Programme of Action, among them to review and monitor progress in economic cooperation between the LDCs and other developing countries and organize cluster meetings in accordance with the provisions in the Programme; to assist the LDCs in the formulation of appropriate sectoral development strategies and policies; and to undertake the collection, analysis and dissemination of information on the implementation of the Programme on an annual basis. ESCAP has, in accordance with the above, made plans for holding two cluster meetings in 1992, one for the continental LDCs and one for the island LDCs in the region. A consultative meeting of experts with the task of advising the secretariat on the preparation of the cluster meetings is scheduled to be held in December 1991.

20. The ESCAP secretariat also continues to give high priority to activities relating to the LDCs within its overall work programme. A document on agricultural development strategy for LDCs in the 1990s was submitted to the Commission at its April 1991 session, which endorsed the proposal therein to undertake studies in individual countries in this area. Special attention to the needs and problems of the LDCs is likewise provided in ongoing work and under strategies adopted in the fields of population, industry, transport and communications and human resources development. A regional seminar on the mobilization of domestic savings in the LDCs of the ESCAP region is planned for early 1992. Moreover, specific projects have been formulated for the promotion of foreign investment in the LDCs of the region. A new multidisciplinary subprogramme has been established to focus on the regional implementation of the Nairobi Forward-looking Strategies for the Advancement of Women.

21. The Economic Commission for Africa (ECA) is continuing to prepare its annual survey of social and economic conditions in the African LDCs. With the inclusion of Liberia in the list of LDCs, the number of LDCs in the region reached 29. Estimates of key economic indicators presented in the survey for 1989-1990, issued in April 1991, show a general slow-down of economic activity in 1990 and give clear evidence of the high degree of vulnerability of the economies of the African LDCs to negative developments in the external sector. These developments, which included decreased demand and lower prices for primary commodities, which are these countries' major exports, higher oil bills, and a drop in workers' remittances, together with unfavourable climatic conditions and civil strife in some countries, depressed total output of the African LDCs in 1990. Both the agricultural and manufacturing sectors as well as export performance were affected.

22. In the ECA work programme for the next biennium, particular attention will be paid to efforts aimed at promoting the economic development and integration of the LDCs, land-locked and island countries of the region. The subprogramme of the Commission for these countries will assess international efforts as they relate to the promotion of the necessary structural changes and transformation required to overcome their extreme economic difficulties, and will aim at being a focal point in developing strategies and programmes for enhancing the regional cooperation in the interest of these countries.

The Conference of Ministers of African LDCs, to be preceded by its Committee of Experts of African LDCs, is scheduled to meet again in 1992.

23. The Economic Commission for Latin America and the Caribbean (ECLAC) and the Economic and Social Commission for Western Asia (ESCWA) also continue to address the needs and problems of the two LDCs situated in their regions, Haiti and Yemen, respectively, within their ongoing work programmes. In this regard, resolution 503 (XXIII), adopted by ECLAC at its twenty-third session in 1990, provides a framework for support to Haiti. ECLAC has made preliminary contacts with the Government of Haiti in view of identifying possible areas of collaboration, in particular as regards technical assistance in the fields of macro-economic policy formulation and statistics. The ESCWA work programme for 1992-1993 accords particular attention to the special development problems and constraints of Yemen, and a series of studies as well as a special meeting are envisaged to address these. One study will review the state of economic cooperation between the LDC and other countries in the region; its conclusions will be examined by a group of experts. Economic policy issues arising from the unification of the former People's Democratic Republic of Yemen and the Yemen Arab Republic will be addressed in a second study. Moreover, a report reviewing the progress made in the implementation of the Programme of Action will be prepared.

C. Follow-up at the global level

24. The General Assembly, in its resolution 45/206, decided that the Intergovernmental Group on the Least Developed Countries of UNCTAD would meet in 1995 to carry out a mid-term review of the implementation of the Programme of Action, and that, towards the end of the 1990s, the Assembly would consider holding a third conference on the LDCs to make a comprehensive appraisal thereof. As a new element in global review and monitoring, as mentioned above, progress would in addition be reviewed annually at the spring session of the UNCTAD Trade and Development Board. 3/ The Assembly further decided that UNCTAD, as part of its ongoing work, would continue to serve as the focal point for the review and appraisal of the implementation of the Programme and its follow-up at the global level, and would continue to provide support at the national and regional levels, in cooperation with other concerned organs, organizations and agencies of the United Nations system.

25. In accordance with the above, the Trade and Development Board of UNCTAD, at the second part of its thirty-seventh session in March 1991, considered an item on review of the progress in the implementation of the Programme of Action. The Board had before it the Least Developed Countries 1990 Report, which presented updated information on the situation of the LDCs at the end of the 1980s, as well as an assessment of the policy implications of the Programme of Action.

26. Since the short time between the adoption of the Programme of Action and the first review of progress in its implementation by the Trade and Development Board did not permit a substantial analysis of commitments and

measures taken by LDCs and their development partners, discussions at the Board largely focused on the arrangements made for review and monitoring of the Programme, including the contribution of UNCTAD thereto. In the discussions, the LDCs also stressed the even greater urgency of increased international support in view of the direct and indirect consequences of the crisis in the Persian Gulf on their economies. At its closing session, the Trade and Development Board adopted a resolution on this item (390 (XXXVII)), in which it, inter alia, emphasized the imperative need for the implementation of the Programme of Action by all parties as a matter of urgency. Expressing deep concern at the adverse consequences of unforeseen external developments on the economies of the LDCs, the Board, moreover, urged LDCs' development partners to provide support and assistance to the LDCs, according to prevailing external circumstances, with a view to mitigating such adverse consequences of unforeseen developments. The Board also requested the Secretary-General of UNCTAD to present a report to the eighth session of UNCTAD on the progress made in the implementation of the Programme of Action.

27. Arrangements are being made for the next annual review of the Programme of Action, and the UNCTAD secretariat is preparing the 1991 issue of the least developed countries report for this purpose. In this context, the Secretary-General of UNCTAD, in May 1991, addressed a note verbale to Governments of the LDCs and other member States concerned, inviting them to provide such information as would assist in preparing the report. A corresponding letter was addressed to the United Nations organs, organizations and bodies and to intergovernmental organizations. The information received is expected to provide the basis for a substantial review of progress that the LDCs and their development partners have made towards the implementation of the commitments and measures contained in the Programme of Action. The 1991 issue of the report will also present an analysis of the overall economic situation of the LDCs in 1990-1991, sectoral developments in these countries and studies of selected issues brought out in the Programme of Action. Thus, in the 1991 report it is planned to discuss the constraints, prospects and policy requirements for trade diversification in the LDCs, as well as issues relating to the concept of participatory development.

D. The Tokyo Forum on the least developed countries

28. In its resolution 45/206 the General Assembly urged all Governments, international and multilateral organizations, regional integration organizations, as well as relevant non-governmental organizations, to continue to pay special attention to the problems of the LDCs. In this regard, an important initiative was taken by the Government of Japan, which organized, from 13 to 15 May 1991, jointly with the United Nations Capital Development Fund (UNCDF), a seminar in Tokyo on the development problems of the LDCs. The intention behind holding the Tokyo Forum was to build on the momentum generated by the Paris Conference through an exchange of views at the highest level on required measures for the revitalization of LDCs' development and, at the same time, to sensitize parliamentary and public opinion to the needs of these countries. Eminent persons from the donor community and representatives

of the United Nations system, as well as ministers from the LDCs themselves and from other developing countries, participated in the forum. A large number of observers from government, academic, political and media circles and non-governmental organizations in the host country also attended.

29. The substantial debate at the Tokyo Forum focused on operational strategies and requirements for external support for the LDCs in the 1990s. At the end of the discussions, the Chairman of the Forum, Dr. Saburo Okita, former Minister for Foreign Affairs of Japan, submitted a synthesis statement bringing out four broad themes, namely: global partnership, the primacy of the human factor, the release of private initiatives, and the resource needs of the LDCs. The forum reasserted the strategic priority of poverty reduction, which must be pursued vigorously during the 1990s. The positive relationship between the democratization process and development was also emphasized. Participants acknowledged major political changes taking place in the LDCs, while calling for the required assistance during ongoing economic adjustment programmes as well as during periods of transition towards new political systems. The Chairman's statement contained a proposal for assistance in enhancing participatory development through, inter alia, institutional support and small-scale financial aid at the grass-roots level.

30. The Tokyo Forum further stressed the need for investing in human resource development, for an intersectoral public policy in this area and for improving management capacities in the LDCs. Participants examined how to encourage private sector development through increased opportunities for both domestic and foreign investment and know-how. In this context, they also reviewed the experience from a number of successful programmes aimed at providing credit and savings services to the poor particularly in the informal sector. It was recognized that development assistance flows to the LDCs must be stepped up. An external support strategy for these countries would also need to include measures to reduce substantially their debt burden.

E. Other follow-up action

31. In setting out the overall arrangements for the review and monitoring of the progress in the implementation of the Programme of Action at various levels, the General Assembly also decided that the organizations of the United Nations system should undertake sectoral appraisals at regular intervals. A number of organizations have since brought the results of the Paris Conference to the attention of their governing bodies and made arrangements for the required follow-up action. The action undertaken by individual organs, organizations and bodies is reviewed below in section IV. The modalities of sectoral appraisals, which are a new element in the follow-up process as compared with the 1980s, were further discussed at an inter-agency meeting, held in July 1991 (see para. 80 below).

32. As mentioned above, the General Assembly recommended that necessary links should be established between the various levels of follow-up to the Programme of Action and decided that UNCTAD, apart from serving as the focal point for

follow-up at the global level, should continue to provide support at the national and regional levels. In the context of making necessary links between follow-up at the national and global levels in particular, the UNCTAD secretariat has been requested to participate in and contribute to the country-review process mentioned in paragraph 141 of the Programme of Action, as well as in resolution 390 (XXXVII) of the Trade and Development Board of UNCTAD.

33. In response to these provisions, UNCTAD initiated consultations with the two lead agencies for the country review groups, UNDP and the World Bank, to discuss the outcome of the Paris Conference and the ways and means of ensuring the implementation of the Programme of Action, as well as cooperation and exchange of information between UNCTAD and these agencies in the follow-up process. Agreement has been reached with UNDP on the practical modalities for this collaboration, including a framework for participation of UNCTAD in and contribution to the round-table process. UNCTAD already attends round table meetings on a regular basis, and has taken initiatives to contribute to the consultative group process as well. It notably prepared a note on the external sector of Bangladesh as a contribution to the Bangladesh Aid Group meeting in May 1991.

34. Consultations have also been held between UNCTAD and the regional commissions on the organization of the follow-up to the Programme of Action at the regional level, and arrangements have been made with the ESCAP secretariat for the contribution of UNCTAD to the preparation of cluster meetings. UNCTAD has also consulted with a number of other organizations, in particular the the International Monetary Fund (IMF), on activities of operational and substantive interest that could be undertaken in the context of the follow-up to the Programme of Action. One issue of special importance for strengthening the global monitoring process brought up in these discussions was the prospects for IMF focusing more attention on the problems of the LDCs in its analytical work. As a result, IMF has introduced the group of LDCs as a new analytic category in its biannual World Economic Outlook.

35. In accordance with the General Assembly decision to strengthen the UNCTAD Special Programme for the Least Developed Countries, additional resources have been provided to this programme to enable UNCTAD to discharge effectively its mandate concerning the implementation of the Programme of Action on a timely basis. The Secretary-General of UNCTAD has also decided to upgrade the Special Programme and to place it in the secretariat structure in keeping with its enhanced responsibilities. In this context, the leadership of the Special Programme has been upgraded to the level of Director.

36. In paragraph 144 of the Programme of Action, the Secretary-General of UNCTAD was requested to continue and, where necessary, to expand technical assistance activities for the LDCs. UNCTAD is developing various projects and programmes to this end, including activities for helping LDCs implement the Programme of Action through the mechanisms of economic and technical cooperation among the developing countries, the importance of which was emphasized by the General Assembly, in its resolution 45/206. UNCTAD already

organized a round table on promoting indigenous private enterprises in the Asian-Pacific LDCs, held in cooperation with the Korea Development Institute in August 1991, with financing provided by UNDP. The UNCTAD secretariat is also developing social and economic performance indicators to assist the LDCs in monitoring progress in the implementation of the Programme of Action.

37. The Governments of Italy and the Netherlands have made special contributions to the UNCTAD technical assistance programme earmarked in favour of the LDCs, which have strengthened the capacity of UNCTAD to respond to the above-mentioned request by the Paris Conference and will help the LDCs in implementing the Programme of Action for the 1990s. Moreover, the Governments of Finland and Norway provided financing for studies of the constraints and prospects for trade diversification in the LDCs being undertaken as an input to the global-level review and appraisal of the Programme of Action.

IV. ACTION BY ORGANS, ORGANIZATIONS AND BODIES OF THE UNITED NATIONS SYSTEM

A. Action by individual agencies

38. The General Assembly, in its resolution 45/206, invited the governing bodies of the organizations, agencies and programmes of the United Nations system to take the necessary and appropriate measures for effective implementation and follow-up of the Programme of Action within their respective spheres of competence and according to their mandates. Moreover, the preparatory bodies for all major forthcoming meetings and conferences of the United Nations system were invited to take into account the outcome of the Paris Conference. Action taken or planned by individual agencies in response to these provisions is set out below in summary form.

39. Special importance has been accorded by the General Assembly to the institutional arrangements for dealing with LDCs' problems within agencies. The Assembly invited all organs, organizations and programmes of the United Nations system to establish focal points for the LDCs, where they do not already exist, and to strengthen existing ones in order to involve them actively in the implementation tasks throughout the 1990s. Special units or programmes for the LDCs have already been established in a number of agencies and were active in the 1980s, including in the regional commissions, UNDP, UNCTAD and the United Nations Industrial Development Organization (UNIDO). New developments reported in this regard are the setting up of LDC focal points in all substantive divisions of the Department of Technical Cooperation for Development of the Secretariat, the designation of a focal point in the United Nations Children's Fund (UNICEF) and the creation within the United Nations Educational, Scientific and Cultural Organization (UNESCO) of a special unit for the LDCs.

1. United Nations

40. UNDP and funds and programmes administered by the UNDP are a major channel of multilateral assistance to the LDCs. In 1990, disbursements in these countries under country indicative planning figure (IPF) allocations amounted to $351 million, corresponding to 44 per cent of disbursements in that year. Total expenditure in the LDCs, including non-IPF funding through the United Nations Development Fund for Women (UNIFEM), United Nations Sudano-Sahelian Office (UNSO), United Nations Capital Development Fund (UNCDF), United Nations University and other funds and programmes amounted to $443 million in 1990.

41. Two major provisions have been made in the context of the new Programme of Action for directing more UNDP resources to activities in the LDCs. Firstly, the Governing Council of UNDP in June 1990 decided to allocate 55 per cent of IPF resources to LDCs over the Fifth Programming Cycle. This signifies making available to the LDCs an estimated amount of some $2 billion grant assistance for technical cooperation over the period 1992-1996. Secondly, the Programme of Action itself contains a recommendation to increase overall funding for UNCDF by 20 per cent a year over the 1990s.

42. Besides the action mentioned in section III above, the UNDP administration has taken a number of steps to ensure the implementation of the Programme of Action, including requesting all Resident Representatives serving in LDCs to take the Programme into account in preparing country programmes, and the work initiated to strengthen the country-review process, referred to above. At its session in June 1991, the Governing Council of UNDP approved the Administrator's proposals to incorporate the strengthening of the capacity of LDCs for economic management and aid coordination as a mainstream activity in LDCs, and also requested him to prepare specific measures for the implementation of the Programme of Action during the Fifth Cycle. A report is to be presented to the Council at its fortieth session in 1993 on the measures taken to address the special needs and priorities of these countries. The Council, moreover, called upon the donor community to continue their contributions to the Special Measures Fund for the Least Developed Countries to meet their particular development needs and preserve the viability of the Fund. At the same session, the Governing Council also appealed for continued growth in resources for UNCDF.

43. Improving aid coordination and strengthening the institutional capacities of LDCs for the management of development resources will thus be guiding policies for the technical cooperation of UNDP with the LDCs in the 1990s, and UNDP core resources will be used, as far as possible, to support and implement the objectives of the Programme of Action. To this end, UNDP will assist LDC Governments, inter alia, in preparing technical cooperation assessments and programmes (NaTCAPs); in establishing strategies and programmes for the development of the private sector; in defining strategies for the full participation of women in the development process; establishing strategies and policies involving non-governmental organizations with their specific role in development efforts, notably at the grassroots level; and in preparing

strategies for human resources development. NaTCAP exercises have so far been initiated in 24 LDCs. A dozen of them have developed national policy frameworks for technical cooperation and are in the process of preparing comprehensive programmes and a basis for aid coordination in this respect. With regard to LDCs' stabilization and structural adjustment programmes, two major initiatives taken by UNDP are of direct concern to these countries: the advisory teams for Africa, providing assistance in formulating policy reform programmes and mobilizing external aid, also aiming to build up national policy analysis and negotiating capacities; and the programmme launched jointly with the African Development Bank and the World Bank to help African Governments incorporate social concerns into their economic reform programmes and long-term development plans.

44. The Department of International Economic and Social Affairs of the Secretariat undertakes a number of activities related to LDCs, notably in the areas of statistics and population. Of particular interest to the LDCs in Africa is a project to develop statistics on women in the informal sector in industry, trade and services, carried out in collaboration with the United Nations International Research and Training Institute for the Advancement of Women (INSTRAW) and the Economic Commission for Africa (ECA). In the area of population, the LDCs were selected as the special topic for the 1989 issue of the biennial monitoring report prepared by the Department, while material and demographic indicators for the LDCs have been published also in the 1991 report and in World Population Prospects 1990. Moreover, the Department of International Economic and Social Affairs plans to report on the social situation in the LDCs, especially those in Africa, in the 1993 Report on the World Social Situation. In that context, it will review progress in the implementation of the social development components of the Programme of Action.

45. The activities of the Department of Technical Cooperation for Development of the Secretariat extended to virtually all LDCs by the end of 1990. More than 40 per cent of the delivered projects of the Department were in LDCs, and total assistance to these countries in 1990 amounted to $78 million. Guidelines for the Department's use of funds from the United Nations Regular Programme give special consideration to the needs of LDCs. This has enabled the Department to field a large number of missions covering project preparation, management and implementation in various aspects of development planning, including strengthening of institutional infrastructure, training, regional planning and integrated rural development. The Department has also reinforced its efforts in promoting pre-investments, particularly with regard to natural resources development, energy, and water resources. In these activities, focus is given to strengthening the managerial capabilities required to rationalize the use of such resources, as well as the aspect of conservation. The same approach is followed in the Department's programme on development administration, where efforts are directed to the organization and management of public service institutions, the rationalizing and streamlining of the administration and the strengthening of financial institutions.

46. The Office of the United Nations Disaster Relief Coordinator (UNDRO) has undertaken various activities connected with disaster mitigation, preparedness and prevention in a large number of LDCs. As recognized in the Programme of Action, natural disasters tend to have particularly severe and lasting impact on the national economies of these countries. A number of new projects relating, inter alia, to the preparation of national emergency plans, institutional support and disaster management training were initiated in 1990 and 1991. Moreover, in the wake of the cyclone emergency in Bangladesh in April 1991, the Coordinator was charged with preparing a report on the reconstruction and rehabilitation needs of that country.

47. Although a number of the LDCs host large refugee populations or are the refugees' countries of origin, the Programme of Action, as such, does not address this issue and the impact of the flows of refugees and returnees on the development prospects of these countries. The Office of the United Nations High Commissioner for Refugees (UNHCR) provides assistance to these populations and has also been promoting discussion in various forums of the need to assure a linkage between development aid and the humanitarian assistance extended to refugees and returnees. With respect to human development, a significant contribution is being made by UNHCR through its education programmes on behalf of refugees from LDCs; these initiatives are aimed at equipping them to contribute to the development of their countries on their return.

48. The United Nations Centre for Human Settlements (Habitat) accord the highest priority status to its cooperation with LDCs, with a view to creating a sustainable human settlements development programme in each country. Habitat projects in LDCs have focused mainly on the problems of human settlements within a rural/urban context and have sought to integrate the physical, social and economic aspects of development. In 1990, 85 projects were implemented in LDCs, representing 45 per cent of the total technical cooperation budget of Habitat in that year.

49. The United Nations Centre for Science and Technology for Development has initiated pilot projects on endogenous capacity-building in science and technology for development in five LDCs. These form part of a project aimed at enhancing the national capacities in developing countries in the development and diffusion of technologies and integrating these in the development process. Moreover, the Advisory Committee on Science and Technology for Development has taken up the topic of science and technology for LDCs and small developing countries, as part of its work programme for 1991-1992 and as the main theme of its twelfth session, scheduled to take place in Burundi in May 1992. The intended end-product in the form of a publication on the subject will be contributed to UNCTAD, as well as to the Intergovernmental Committee on Science and Technology.

50. The UNICEF has already been working, before the adoption of the Programme of Action, on implementing special priority goals for the LDCs. This has been reflected in expenditure allocation, for example, in 1989, five times more was spent on each child in the LDCs than in other developing countries. The World

Summit for Children, held immediately after the Paris Conference, was an important step in providing more support for the LDCs. Most of the goals in the World Declaration on the Survival, Protection and Development of Children (A/45/625, annex) adopted at the Summit were already reflected and outlined in the Programme of Action, and UNICEF will therefore be making these priority goals its guidelines for the implementation of the Programme. UNICEF field offices have been apprised of the need to strengthen their work in this area.

51. The Executive Board of UNICEF, at its meeting in April-May 1991, adopted a resolution on action to assist the LDCs, calling upon the Executive Director to take into account the outcome of the Paris Conference in all the activities of the Fund by pursuing and intensifying efforts to provide support to the LDCs, in coordination with concerned agencies and in particular UNCTAD. Moreover, the resolution provided for assistance to formulate national plans of action benefiting children, at the request of Governments. Within the organization, the Division for United Nations Affairs has been made the focal point for coordinating work on the LDCs. The 1992 issue of the report on the State of the World's Children will devote a special chapter to action to assist the LDCs.

52. The United Nations Environment Programme (UNEP) has, in the course of developing and implementing its global and regional programmes and responding to Government requests, assisted the LDCs to strengthen their own capacities for environmental enhancement and natural resource management by developing policies, environmental legislation, governmental institutions, and analytical tools such as environmental assessment and cost-benefit analysis. UNEP has also assisted LDCs by facilitating their participation in the process of concluding intergovernmental global and regional agreements on environmental issues. Ad hoc, smaller scale assistance, has been provided under the AMCEN (African Ministerial Conference on the Environment) and the UNEP Clearinghouse. The latter helps mobilize resources from donors to meet specific environmental needs; several LDCs have requested and received such assistance. Individual sub-programme areas (soils, water, desertification, etc.) likewise address the specific needs of the LDCs. UNEP has also endeavoured to mobilize additional financial resources and transfer of necessary technology for LDCs. These issues will also be before the United Nations Conference on Environment and Development in 1992. Moreover, UNEP is working with the World Bank and UNDP under the Global Environment Facility to assist developing countries, including the LDCs, in addressing major global environment problems, such as loss of biological diversity and climate change.

53. The United Nations Population Fund (UNFPA) regards most LDCs as priority countries, to which around 75 per cent of the Fund's programmable resources were allocated in 1990. In 1991, five additional country programmes for LDCs had been approved by its Governing Council; since the first Paris Conference in 1981, a total of 37 such programmes had been approved for these countries. As funds in this area remain largely inadequate, UNFPA is proposing to continue its role as facilitator and catalyst in mobilizing and ensuring the most effective use of funds in the field of population.

54. The World Food Council (WFC), although not itself involved in operational activities, has an important advocacy role as the food policy arm of the General Assembly and has helped mobilize support for food security initiatives and programmes in many of the LDCs, in particular in Africa. Following the adoption of the Cairo Declaration and Programme of Cooperative Action in 1989, the Council, at its sixteenth session in 1990, noted that the deterioration in the economic conditions in many developing countries had particularly affected the hungry poor. It made a proposal for a renewal of the Green Revolution, which later was the topic of an interregional consultation in April 1991. At its seventeenth session in June 1991, the Council agreed on the aims and elements of such an approach, which should be anchored in national and regional development strategies and explicitly support specific food-security objectives. The Council called for resources for strengthening agricultural research, especially in the LDCs, and for long-term support to such research and technology. It also noted with concern that the share of total cereal food-aid flows to both the low-income, food-deficit countries and the LDCs had been steadily falling over the years 1988-1990, while the share to European recipients had expanded dramatically, and called on the developed countries to deploy an effort of similar intensity for the benefit of the world's poorest people.

55. The World Food Programme (WFP) is one of the major sources of multilateral grant assistance to the LDCs, playing a dual role in development and emergency feeding (including refugees). WFP assistance is provided to low-income food-deficit countries, with special attention to the LDCs. In value terms, nearly half of WFP shipments in 1990, for both development and emergency operations, were for LDCs. Total WFP expenditures in that year in LDCs amounted to $468 million. The priority sectors of WFP's assistance are agricultural and rural development, especially increased food production, the protection of the environment, and increasing employment of the poor, primarily in rural areas; human resource development, mainly improvement of the health and nutrition of the most vulnerable groups of mothers and children, and assistance to education through school feeding; and providing assistance to refugees and displaced persons and the victims of natural disasters. During the last few years, WFP has increased the volume of its emergency and refugee assistance, particularly to help sub-Saharan African countries affected by drought and crop failure, as well as war and civil strife. Many WFP development projects now include reserves that can be called on in times of disaster.

56. WFP assistance is provided on a project basis and food is usually targetted directly to a defined group of beneficiaries, almost always the poorest segments. The orientation of this assistance largely corresponds to the areas of emphasis brought out in the Programme of Action. Specific projects have been formulated and implemented to support poor and disadvantaged people, while measures of economic adjustment are being pursued. Women's involvement in WFP-assisted projects spans all sectors, but is particularly significant in food-for-work activities in agriculture, forestry and rural infrastructure development. Moreover, funding is available for many kinds of environmental activities. WFP has also recently taken steps to strengthen its support to non-governmental organizations at the local level.

2. Specialized and related agencies

57. The LDCs remain at the centre of the concerns of the Food and Agriculture Organization of the United Nations (FAO) in view of their needs. More than half of the resources allocated to field activities are directed to the LDCs. The recommended measures in the Programme of Action relating to FAO's sphere of competence accord with the basic aims and priorities of FAO as established by the Governing Bodies and are virtually all covered under the policies and procedures of the Organization. The FAO special action programmes cover areas of particular interest to the LDCs: food security, seed improvement and development, prevention of pre- and post-harvest losses, soil-fertility improvement, animal trypanosomiasis and local control programmes. Major global initiatives launched by FAO on rural development, fisheries management and development, tropical forests, nutrition and sustainable agriculture and rural development, pesticides and genetic resources, tropical forests, nutrition, sustainable agriculture and rural development are of direct benefit to the LDCs. LDCs continue to receive priority in the FAO investment-related and emergency-assistance activities. FAO Plans of Action for People's Participation in Rural Development, as well as the Integration of Women in Development, are particularly relevant to the areas of emphasis in the Programme of Action. Recent FAO initiatives to strengthen its policy advisory role, including the establishment of a Country Policy Information System respond to the needs of the LDCs for continuing agricultural policy reform and monitoring of the impact of micro and macro policies on agricultural performance and rural well-being.

58. The FAO Council, at its session in November 1990, requested the Director-General to bear in mind, in connection with all FAO activities, the overall results of the Paris Conference and to report to the next Conference of FAO on his suggestions for approaches and measures both to associate more clearly the Organization with the implementation of the Programme of Action and to help the LDCs, at their request, to define an agricultural development strategy for the 10 ten years, in line with paragraph 86 of the Programme. The report prepared in response to this request and outlining the present activities and future goals of FAO in support of LDCs, is being presented to the twenty-sixth session of the FAO Conference in November 1991.

59. The International Fund for Agricultural Development (IFAD) has been allocating in recent years about 40 per cent of its resources to LDCs. The mandate of IFAD is to increase food output and reduce malnutrition and to alleviate rural poverty; beneficiaries are almost entirely small, private farmers and private small-scale rural producers. New commitments in the LDCs amounted to $65 million in 1990. The second phase of the Special Programme for Sub-Saharan Countries Affected by Drought and Desertification is a major initiative that will provide substantial additional resources to LDCs. This programme, first launched in 1986, has enabled IFAD to help the sub-Saharan LDCs and others to increase their resilience in coping with natural disasters, as well as to embark on a pattern on rural development that integrates environmental protection and poverty alleviation. The Fund's projects emphasize a participatory approach, and non-governmental organizations have

been associated with virtually all recent projects in LDCs. The Fund is supporting a Summit on Rural Women, to be held in February 1992, by organizing preparatory regional and interregional seminars.

60. The International Civil Aviation Organization (ICAO) has, over the years 1989-1991, provided assistance in civil aviation development to 32 LDCs in Africa and Asia, among them to land-locked LDCs for which air transport is of particular importance. Assistance has been provided for the development of airport facilities, as well as for management development and training.

61. The priority sectors in the technical cooperation of the International Labour Organisation (ILO) with LDCs are entrepreneurship and small-scale enterprise development; labour-intensive infrastructure development; assistance to development of the informal sector; management development; and vocational training and skills development. It has consistently promoted a people-centred, participatory approach in development programmes. Thus, ILO activities are of particular relevance with regard to chapter IV in the Programme of Action. The ILO is also involved in assistance in policy advice and implementation of projects in relation to the social impact of structural adjustment. Private sector collaboration is a growing part of the ILO technical assistance programme. Both women-specific and mainstream projects are used as means to ensure women's access to development programmes. Assistance to the LDCs funded through regular budget and extrabudgetary resources amounted to some $50 million in 1990.

62. The technical cooperation of the International Maritime Organization (IMO) is aimed at developing training, technical, legal and managerial capacities in developing countries to implement global standards on maritime safety, protection of the maritime environment, and related aspects of shipping and ports. The volume of IMO assistance to the LDCs during the period 1989-1991 amounted to $20 million, or about 40 per cent of its total technical cooperation programme. National projects were implemented in 10 LDCs, and they also benefited from a number of regional and global projects. Special emphasis is placed throughout the entire IMO programme to increase the number of female students trained at maritime academies, and to promote career opportunities for women in project field work.

63. Within the overall policy of IMF of extending uniform treatment to all members, while seeking to meet their particular needs and circumstances, the Fund's activities have helped meet the needs of the LDCs in a number of ways. Following the establishment of the structural adjustment facility (SAF) in 1986 and the enhanced structural adjustment facility (ESAF) in 1987 and given the concessional terms provided by these facilities, most of the LDCs which have in recent years made use of IMF resources have done so under SAF and ESAF. The Fund also provides its member countries with technical assistance and training in economic and financial matters; recently, agreement was reached between the UNDP and IMF allowing the Fund to act as executing agency for UNDP-financed technical assistance. Policy advice is provided through Article IV consultations with members or in connection with the formulation of Fund-supported arrangements; moreover, policy framework programmes requisite

for lending under SAF and ESAF are prepared in conjunction with the World Bank. In recent years, increasing attention has been paid to the social and environmental impacts of adjustment programmes.

64. A special unit responsible for studying and following-up issues relating to the LDCs was set up within the secretariat of UNESCO in January 1991. The LDCs now constitute one of the three categories designated as priority beneficiaries in UNESCO programmes. The Executive Board at its session held in May-June 1991 considered UNESCO action on behalf of the LDCs and invited the Director-General to take account of the recommendations made by the Paris Conference in all of the Organization's activities. Specifically, it requested the Director-General to study and analyse, in consultation with LDC Governments and with the international organizations concerned, in particular UNCTAD, the key issues relating to the development of the LDCs within the fields of competence of UNESCO and to draw up recommendations with a view to the adoption of national and international measures and a work programme in these fields for the LDCs in the 1990s. Moreover, the Executive Board called for sending UNESCO experts to the LDCs to help them to establish or to strengthen their national commissions so as to foster their participation in the Organization's activities. It also expressed the wish that the special unit and the programme budget for 1992-1993 for these countries be strengthened.

65. The share of the LDCs in the technical cooperation activities of UNIDO has been in the order of 20 per cent over the 1980s. Main areas of cooperation in recent years were industrial policies and strategies management; small- and medium-scale and rural industries; industrial rehabilitation; capacity-building and training in preinvestment studies; and leather and chemical industries. In African LDCs, activities have been carried out in support of economic recovery and adjustment programmes. Implementation by UNIDO of the Programme of Action for the LDCs will be guided by its medium-term plan for the period 1990-1995 and its up-date 1992-1997, the operational programmes of UNIDO for the LDCs, and the special programmes having a major focus on the LDCs, such as the Industrial Development Decade for Africa and the special programmes for the industrial development of Asia and Pacific and in the Arab countries. Human resource development is a priority area in the medium-term plan and the integration of women in industrial development a key element therein. While the majority of UNIDO operational activities is still focused on developing and implementing technical cooperation projects responding to the specific needs and requests of LDCs, some new initiatives have been taken to address these needs more generally. These are the organization of workshops on development, monitoring and evaluation of technical cooperation projects to strengthen indigenous capabilities; a seed programme to adapt and improve traditional technology and know-how existing in these countries; and the development of programmes for LDCs on a regional basis.

66. In addition to the above, implementation by UNIDO of the Programme of Action will also be guided by an Industrial Action Plan for the LDCs which will be submitted to the General Conference of UNIDO in November 1991. In

preparation of the plan, a number of studies focusing on key issues facing the process of industrial transition in the LDCs have been carried out; the five main areas covered were mobilizing human capacities in the LDCs, improvement of their institutional capabilities, industry and economic expansion, industrial rural development and development of industrial incentives. These studies were discussed at a workshop on industrial development in the LDCs held at Vienna in August 1991.

67. Action of the Universal Postal Union (UPU) on behalf of the LDCs was set out in a resolution adopted by the 1989 Washington Universal Postal Congress. The Congress, inter alia, gave instructions for paying more marked priority attention to the postal needs of LDC administrations, devoting as large a portion as possible of UPU resources to them, and drawing up a specific programme of activities for these countries. Some 55 per cent of the UPU budget for technical cooperation is now devoted to LDCs, and six regional coordinators have been appointed to help LDCs identify areas for UPU assistance in postal development. The Executive Council has been requested to monitor the situation of postal services in the LDCs and report thereupon to the next Universal Postal Congress.

68. The World Bank is the major channel of multilateral assistance to the LDCs. Almost all of them fall into the Bank's category of low-income countries and are thus eligible for financing on highly concessional International Development Association (IDA) terms. The LDCs have benefited from the Bank's emphasis on poverty reduction, which remains its top priority, and from programmes focused on Sub-Saharan Africa, including the Special Programme of Assistance for low-income debt-distressed countries and the Special Facility for sub-Saharan Africa, as well as from the new Debt Reduction Facility. LDCs have also been the recipients of increased IDA resources devoted to education, population, health and nutrition, women in development, and the environment.

69. Structural adjustment and sector adjustment lending have become significant features of the Bank's overall lending programme, and increasing attention is being paid to the social dimensions of adjustment. Other major orientations in Bank activities also support the objectives of the Programme of Action. Thus a few years back, the Bank began a systematic effort to increase cooperation with non-governmental organizations to strengthen the social and environmental impact of Bank-supported operations. It continues to expand its dialogue with non-governmental organizations on important development policy issues of common concern. Growing experience with popular participation led to the initiation in fiscal year 1991 of a programme of action and learning on popular participation, which includes as one of its components a review of ways in which the Bank may need to modify its operational policies to encourage such participation more widely in its projects and in its economic sector work. Women in development has been identified as an area of special emphasis and operational capacity to address women's issues has expanded. In future, the Bank intends to integrate attention to women in all its lending and analytic efforts. It will, inter alia, give more attention to these issues in policy dialogues, implement

country strategies for assisting women in development (such a strategy for Bangladesh was published in 1990) and expand policy work by developing sector-specific guidelines on effective interventions to help women and conducting more research in this area.

70. The Bank's new policy on environment emphasizes making environmental issues an integral part of all its activities. In this context, an operational directive on environmental assessment has been issued. Reports identifying key environmental problems and their underlying causes have been prepared for most borrowing countries. During fiscal year 1991, primarily environmental credits were approved for two LDCs. The Bank and IDA also provide financial and technical support in response to major emergencies, in the form of reconstruction or rehabilitation loans following natural or man-made catastrophes.

71. The World Health Assembly in May 1991 adopted a resolution on health promotion for the development of the LDCs, which requested member States of the World Health Organization (WHO) to take into account the outcome of the Paris Conference, especially the need to include a health component in socio-economic development programmes and cooperation activities. The Assembly requested the Director-General of WHO to take these factors into account in all the activities of WHO; to intensify efforts to provide support to LDCs in strengthening and developing their health systems and in identifying resources and new approaches to health; and to formulate with these countries a policy for health action aimed at striking a balance between long-term and short-term needs. A report on the measures taken is to be submitted to the next World Health Assembly. Moreover, during the 1991 Assembly, WHO organized meetings with the Ministers of Health from 17 LDCs, in which the relevant provisions of the Programme of Action were highlighted.

72. Strengthening the technical and financial support to the LDCs in line with the above forms part of the new policy orientation for intensified WHO cooperation with countries and peoples in greatest need, which aims at mobilizing and orienting the resources of the Organization at all its levels in a country-specific approach responding to country needs. This strategic approach intends to strengthen the capacity of countries to mobilize and use domestic and external resources through assisting in the development of an appropriate policy and managerial framework. Technical assistance is provided as needed for the optimal utilization of resource flows mobilized from the international community. Thus, in addition to the technical responsibilities of WHO in its area of competence, it is assuming a facilitating role for the promotion of international cooperation, through dialogues with other donors and joint planning missions. Steps have also been made to take into account the recipient countries' overall economic situation in the planning of assistance, and to encourage long-term planning and support. Currently, 17 LDCs are engaged in this type of intensified cooperation with WHO.

73. The contribution of the World Intellectual Property Organization (WIPO) to the development of the LDCs is focused on four areas. A new category of contributions substantially reducing the financial burden for LDCs has already

been established, and a proposal to exempt them from the major part of pending arrears was to be considered by the Governing Bodies in September 1991. In the area of human resources development, LDCs are increasingly benefiting from WIPO's training programmes. WIPO is also fostering increasing cooperation between the LDCs and other developing countries, in particular through providing assistance to the two regional intellectual and industrial property organizations established in Africa. Finally, priority is given to LDCs in the work of WIPO related to the formulation of intellectual property laws and regulations, the creation of relevant institutions and the training of negotiators involved in the licensing of technology and know-how related to intellectual property. These areas of work also support the setting up of frameworks conducive to foreign investment as called for in the Programme of Action.

74. The LDCs received about half of the technical assistance provided by the World Meteorological Organization (WMO) in 1989 and 1990. The main priority in WMO assistance to the LDCs has been to keep a minimum basic observation and telecommunication network operating. The meteorological and hydrological services of LDCs play an important role in not only supporting socio-economic development and monitoring the foreseen climate change, but also in natural disaster mitigation activities. Hence, WMO will seek to enhance the improvement of weather services, especially in LDCs, through the International Decade for Natural Disaster Reduction. Following the tropical cyclone that struck Bangladesh in April 1991, WMO is undertaking a special effort to restore the meteorological facilities in that country as soon as possible.

75. Following the adoption of the Programme of Action, the Subcommittee on the Trade of Least-Developed Countries within the General Agreement on Tariffs and Trade (GATT) was informed of the provisions adopted of relevance to GATT. A first examination of these provisions took place at a session of the Subcommittee in October 1990; it was carried out, having in mind in particular how the trade interests of the LDCs could best be promoted in the Uruguay Round negotiations. Following these discussions, a number of proposals were put forward by the LDCs in the Trade Negotiations Committee of the Uruguay Round in November 1990. These proposals are under consideration within the new negotiating structure established by the Trade Negotiations Committee in April 1991.

76. The International Trade Centre UNCTAD/GATT (ITC) has a special programme of technical cooperation with the LDCs, focusing attention on the trade promotion needs of these countries. The direct involvement of ITC with LDCs, through national, regional and interregional projects accounts for approximately 30 per cent of ITC resources. This ratio is expected to expand steadily because of the priority attached to these countries in both UNDP and trust-fund financed technical cooperation activities. In the short-term, ITC strategy for LDCs provides for the expanded exports of products based on natural resources, including commodities; increased export marketing of non-traditional products, particularly in neighbouring countries; strengthening the institutional infrastructure, including support services, for trade development; improving import operations and import management and

human resources development. The long-term objective is to broaden the production base for export through the development of new products for export and the promotion of joint ventures. In addition, ITC has a range of activities emphasizing trade development as a means of poverty alleviation and dealing in particular with small- and medium-scale enterprise development, rural and agro-based export development, and promotion of South-South trade.

B. Inter-agency coordination

77. The General Assembly, in its resolution 45/206, requested the Secretary-General to ensure the full mobilization and coordination of all organs, organizations and bodies of the United Nations system in the implementation and follow-up of the Programme of Action, in close collaboration with the Director-General for Development and Economic Cooperation, the Secretary-General of UNCTAD, the secretariats for the regional commissions and the lead agencies for the aid groups. Pursuant to this request, a first inter-agency consultation on the follow-up to the Programme of Action was convened by the Director-General, in close cooperation with the Secretary-General of UNCTAD, at Geneva on 1 and 2 July 1991. Participants in this meeting reviewed arrangements at the global level for review and monitoring of progress in the implementation of the Programme of Action; the follow-up undertaken at the national level; and action by individual organizations, as well as their contributions to the global level follow-up.

78. Underlying the discussions at the inter-agency consultation were the new challenges confronting the United Nations system in the pursuit of the goals and objectives of the Programme of Action. Thus, in the context of the follow-up at the national level, the discussions brought out the emerging need for gearing agency activities increasingly to a more policy-oriented role, and to the elaboration of sectoral strategies, in assisting the LDCs in implementing the Programme of Action.

79. The meeting reiterated the importance of the country review process and agreed that agencies' contributions to the process needed to be enhanced; it was brought out that ways and means had to be found to best organize inter-agency cooperation in this regard and to strengthen agencies' capacities and their involvement in this area. The meeting agreed that this matter should be reviewed at the next inter-agency consultation, as well as by the Consultative Committee on Substantive Questions (Operational Activities) (CCSQ(OPS)).

80. The meeting welcomed decisions taken at the governing bodies of a number of agencies regarding follow-up to the Programme of Action and requested other agencies to bring the Programme to the attention of their governing bodies. The meeting underscored the importance of strengthened efforts of the agencies in the implementation of the relevant provisions of the Programme at the national level within their respective fields of competence. It emphasized that agencies had an important role to play in providing financial and

technical assistance to the LDCs; they also had an advisory role in helping these countries implement required policies. The meeting further reiterated the need for establishing or strengthening focal points in agencies. These should be of a substantive nature with adequate capacity and should also prepare for review and appraisal of the Programme of Action at the sectoral level. While the exact time-frame of sectoral appraisal meetings should be decided by individual organizations, it was agreed that at least one or two such meetings should be organized before the mid-term review of the Programme of Action in 1995.

81. Other topics discussed at the inter-agency consultation in July 1991 included: the advocacy role of agencies in drawing attention to the problems and needs of the LDCs and mobilizing international support, including new financial resources for these countries; the nature and scope of the cluster meetings to be organized under the aegis of the regional commissions; linkages between the various levels of follow-up; and the contributions of agencies to future issues of the annual Least Developed Countries Report. The issues of refugees and mass-scale population displacement in the LDCs and the delivery of related emergency assistance, as well as the problem of AIDS, were mentioned as areas where a strengthening of inter-agency collaboration were needed. It was agreed that a second inter-agency consultation on the follow-up to the Programme of Action should be held in June 1992.

82. The follow-up to the Programme of Action was also to be considered, as a separate item, at the meeting of the CCSQ(OPS) in September 1991. The Committee had before it a proposal to prepare a note on the operational implications of the Programme of Action along the lines of the note on the Fourth International Development Strategy drawn up to provide the headquarters and field offices of United Nations organizations with information and initial guidance in giving operational effect to the Strategy. That note, issued earlier in 1991, already contained a summary presentation of the Programme of Action for the LDCs.

V. INTERNATIONAL SUPPORT MEASURES IN THE FIELDS OF EXTERNAL RESOURCES, DEBT AND TRADE

83. As emphasized in the Programme of Action, the success of national policies in the LDCs depends on a shared responsibility and a strengthened partnership for the growth and development of LDCs. Consequently, the Programme identifies three major areas for international support: external resource flows, debt relief and external trade.

A. External resources

84. The Programme of Action recognizes that for LDCs to reach a modest per capita growth, even within an appropriate policy environment, they would need a considerable increase in domestic savings and development assistance. There was agreement that a significant and substantial increase in the

aggregate level of external support should be made available. The consensus reached in this context on specific targets for an increase in official development assistance (ODA) to the LDCs, spelling out the different undertakings given by various groups of donors, was one of the major results of the Paris Conference. This set of targets incorporates the new objective of devoting 0.20 per cent of GNP as ODA to the LDCs, and provides for those donors which have committed themselves but not yet met the SNPA target of 0.15 per cent to move more rapidly towards achieving it. Other donor countries committed themselves to increasing their ODA to the LDCs, so that collectively their assistance to these countries would significantly increase.

85. In 1989, the latest year for which figures on individual donors' performance is available, the donor countries members of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) on average devoted 0.08 per cent of their GNP as ODA to LDCs. However, five of the DAC countries (Denmark, Finland, the Netherlands, Norway and Sweden) as well as some donors outside this group have already achieved and surpassed the 0.20 per cent target. DAC donors in 1989 on average devoted 28 per cent of their total ODA to aid to the LDCs through both bilateral and multilateral channels.

86. As part of the outcome of the Paris Conference, important new commitments to increase aid to the LDCs have been made by major donors to these countries. France and Italy during the Conference itself proclaimed their commitment to further increase their contributions to the LDCs and their adherence to the 0.20 per cent target. As announced during the forty-fifth session of the General Assembly, a time-frame for achieving the 0.15-per-cent target has now been set for the European Economic Community; the Community as a whole should exceed this target by the end of the decade. Japan, which has risen to become the single largest bilateral aid donor to the LDCs in volume terms, has acknowledged this target as being a widely accepted goal for the aid flow to LDCs and stated that, bearing this in mind, it intends to continue its efforts to expand aid flows to LDCs during the 1990s. The United States of America and the Union of Soviet Socialist Republics, neither of which had committed itself to the SNPA aid targets, expressed their full support to the ODA undertakings in the Programme of Action.

87. Preliminary estimates made by the UNCTAD secretariat after the Paris Conference indicated that the implementation of the various options adopted in Paris by all donors concerned could result, in real terms, in a volume of ODA to the LDCs reaching a level of almost 50 per cent above the 1988 level in 1995 and over 90 per cent above the 1988 level in the year 2000. Yet this volume of aid may not be sufficient to meet fully the external capital requirements of LDCs for accelerated growth in the 1990s. The projections presented by the UNCTAD secretariat prior to the Conference already pointed to external capital requirements higher than the ODA amounts currently expected (even under the best assumption that commitments under the Programme of Action will be fulfilled). 4/

88. The expeditious implementation of the ODA undertakings in the Programme of Action and the provision of additional financing to the LDCs becomes all the more important as official development finance 5/ and total net resource flow to the LDCs have been stagnating, in real terms (measured at 1989 prices and exchange rates), throughout the latter half of the 1980s. Preliminary estimates of the flow of resources to developing countries in 1990 released by OECD 6/ indicate that the total net resource flow to the LDCs rose, in nominal terms, from $15.3 billion in 1989 to $17.3 billion in 1990. However, in real terms, the increase in the resource flows to the LDCs was marginal. (Official development finance accounted for some 90 per cent of the resource inflow to those countries.) The LDCs appear not to have fully benefited from the recovery in the overall resource flows to developing countries initiated in the last years of the decade. In particular, they benefited little from the recovery in private flows which, together with an upsurge in resource flows from OPEC countries, were the two main factors behind the overall increase in the total net resource flow to developing countries in 1990. 7/

89. Approximately 40 per cent of total ODA to the LDCs is channelled through multilateral financing institutions and programmes. In volume terms, the World Bank, through the International Development Association (IDA), is the single largest source of concessional financing to these countries. In the Bank's fiscal year 1990, net concessional disbursements to the LDCs reached a new record level of $1.8 billion, corresponding to almost half of its concessional disbursements in that year. In fiscal year 1991, which marked the beginning of the commitment period for the resources to be provided under the ninth replenishment of IDA, 40 per cent or $1.7 billion of net concessional disbursements by the Bank were allocated to the LDCs.

90. IMF is another important source of external financing for the LDCs and its possibilities to provide such financing tailored to the needs and circumstances of the LDCs has been greatly enhanced through the establishment of the SAF and ESAF facilities. The overall contribution of IMF resources to the total net resource flows to these countries has, however, been modest, particularly in the second half of the 1980s. It was negative in some years, such as in 1989 and 1990, in part owing to the timing of countries' formulating new programmes and the bunching of repurchases stemming from previous financing. As of end-April 1991, the outstanding use of IMF financial resources by LDCs totalled special drawing rights (SDR) 2.2 billion (about $3 billion). Up to end-May 1991, arrangements under SAF were approved for 25 LDCs; the total amount committed was SDR 879 million, of which SDR 657 million had been disbursed. Corresponding ESAF arrangements had been approved for nine LDCs, at a total commitment of SDR 765 million, of which SDR 500 million had been disbursed.

91. The IMF and the World Bank both play a key role in providing financing for LDCs' adjustment programmes. Such operations are largely concurrent for the two institutions, and they have also been catalysing additional financial and technical assistance, including debt rescheduling, from other donors in the context of these programmes. As regards the Bank, 30 per cent of IDA

lending to the LDCs in fiscal years 1989-1991 was for adjustment. In fiscal year 1991, new structural adjustment credits amounting to about $350 million were granted to six LDCs, and sector adjustment credits amounting to about $150 million to seven LDCs. Meanwhile, disbursements continued under SAF and ESAF arrangements with LDCs, and after a relative slack in new commitments under these facilities in 1990, a number of new such agreements were concluded in 1991. Since the Paris Conference, new SAF arrangements have been made with Burkina Faso, the Comoros and Rwanda, and ESAF arrangements with Lesotho and the United Republic of Tanzania. With regard to IMF support, it may be further noted that none of the LDCs with overdue financial obligations to the Fund has so far benefited from the cooperative strategy adopted to deal with arrears problems.

92. A programme of special importance for African LDCs is the Special Programme of Assistance (SPA) established by the World Bank in 1987 to help coordinate international efforts to assist the poorest, highly indebted nations on this continent. The first phase of the programme ended in 1990. A second phase for the period 1991-1993 was launched in October 1990, when 18 donors pledged $7.4 billion (as compared with about $6 billion for the first phase). This amount, along with debt relief and IDA and IMF resources, should help ensure the funding of economic reform programmes in the countries concerned. The SPA also aims at improving the quality of donors' assistance by the untying of aid and by simplifying and harmonizing procurement and disbursement procedures. Nineteen African LDCs (out of a total of 24 countries covered) are currently eligible for the SPA; three of the 19 LDCs were added to the list in June 1991.

93. Some of the LDCs would also receive support under programmes set up to assist developing countries facing economic setbacks as a result of the crisis in the Persian Gulf. In early 1991, the UNDP announced a $4 million special programme for the countries most affected by this crisis to serve, inter alia, in the areas of human development, particularly the socio-economic integration of returnees and macroeconomic management. A total of over $0.5 million was allocated to Djibouti and Yemen under this programme. The World Bank also launched a special Gulf Assistance Programme and has stepped up support, including additional IDA lending, to a large group of countries significantly affected, e.g., by the effects of the crisis on oil prices. Beneficiaries under this programme include some of the poorer countries in sub-Saharan Africa. An IDA credit of $33 million was extended to Yemen as emergency assistance to help resettle returning workers, and co-financing arranged for the same purpose. As regards IMF, the core of its support in response to the crisis in the Persian Gulf has been through its existing mechanisms, through rephasing and increased access under various arrangements and facilities. Of particular relevance to LDCs implementing Fund-supported adjustment programmes are the two decisions taken to facilitate and extend access to the ESAF. Access under the ESAF can now be increased at the time of mid-year reviews to allow larger drawings, and for countries completing their arrangements before November 1992, ESAF support could be extended for a fourth year, where justified. Moreover, the scope of the Fund's compensatory and contingency financing facility has been extended, and an oil import element introduced therein on a temporary basis (to the end of 1991).

B. External debt and debt relief

94. The Paris Conference also marked a major advance in dealing with the LDCs' debt problems. The Programme of Action contains a comprehensive assessment of these problems and offers a broad indication of the action needed to resolve them, urging, inter alia, all donors to cancel or provide equivalent relief for LDCs' ODA debt as a matter of priority. In 1990-1991, donor countries continued to write off individual LDCs' ODA debt and debt service in line with this provision, with some new measures taken in the context of or as follow-up to the Paris Conference. Particularly noteworthy is the series of decisions taken in 1989-1990 by France, one of the largest bilateral donors to the LDCs with a substantial amount of ODA claims on them, to shift to an all-grant aid programme with the LDCs and cancel their outstanding ODA debt. Most DAC donors already extend grants only to the LDCs. Of remaining ODA creditors, others have also recently taken steps to increase grant aid to the LDCs and to cancel loans earlier extended to them. The countries that have taken these types of measures include Belgium, Italy, Kuwait, Qatar and the United States.

95. The Programme of Action, moreover, contains a number of important recommendations pertaining to other official bilateral (i.e. non-concessional) debt. Notably, the Paris Club, the forum for renegotiatons of officially guaranteed export credits and other official debt, was urged to review implementation of the so-called Toronto options providing for partial cancellations and concessions on interest rates for the poorest countries and also to review the need for additional options. Since the Paris Conference, only two LDCs turned to the Paris Club for renegotiation of their official debt, Niger in September 1990 and Burkina Faso in March 1991. Both of these countries were extended Toronto terms, Niger under a multi-year arrangement.

96. Two major proposals for providing relief on official bilateral debts have been under discussion since the Paris Conference. At the Conference, the Netherlands proposed that creditor nations collectively grant complete cancellation of bilateral official debt to the poorest developing countries facing severe debt problems, including in particular LDCs. Later in September 1990, the United Kingdom of Great Britain and Northern Ireland launched an initiative to improve the Toronto terms, notably by an initial write-down of two thirds of outstanding official debt. Agreement has since been reached on extending special terms to the poorest, most indebted countries seeking debt relief: the leaders of the world's seven major industrialized countries at the London Summit in July 1991 agreed on the need for additional debt relief measures for these countries, going well beyond the relief granted under the Toronto terms. However, the scale and modalities of the debt reduction to be accorded to individual countries under the new special terms remain to be determined within the Paris Club.

97. An assessment undertaken by the UNCTAD secretariat of the impact of the United Kingdom proposal on a number of SPA-eligible LDCs show that the proposed terms would have a significant impact on debt-service ratios for many of the potential beneficiaries and go far towards reconciling debt-servicing obligations with their capacity to pay. However, for some countries debt

service would still remain at an unsustainable level. Thus this initiative would not, by itself, remove the debt overhang of debt-distressed LDCs, in particular those which owe much of their debt to non-Paris Club bilateral creditors or multilateral institutions.

98. The Programme of Action also addressed the issue of LDCs' debt to multilateral institutions and development funds; all the institutions concerned, particularly those providing non-concessional credits, were invited to give attention to measures to alleviate the burden of the debt LDCs owe to them. In this regard, a number of LDCs with outstanding IBRD debt contracted in earlier years continue to benefit from the supplemental IDA adjustment credit programme launched by the World Bank in 1988. Under this scheme, the countries concerned are allocated supplemental IDA credits equivalent to as much as 100 per cent of their IBRD interest payments coming due. For fiscal year 1991, five LDCs (Bangladesh, Malawi, Mauritania, United Republic of Tanzania and Uganda) received $23.5 million under this scheme. Arrangements have also been made with bilateral donors to help meet multilateral debt service. Thus, IFAD has sought to assist LDCs to cope with debt problems by encouraging donor countries, on occasion, to make special contributions to reimburse in part or in full debt obligations owed to the Fund by LDCs. Similar contributions have also been made in the context of the World Bank scheme.

99. With respect to the private commercial debt owed by LDCs, the Programme of Action encouraged greater use of the IDA Debt Reduction Facility and similar mechanisms. The Debt Reduction Facility was established in 1989 and provides support on a grant basis for reducing commercial bank debt and debt service through buy-backs or debt exchanges. The first two countries to use this facility were both LDCs, Mozambique and Niger. In both cases, supplementary contributions for carrying through these debt-reduction programmes have been provided by bilateral donor countries. In this regard, an important initiative has been taken by Switzerland, which in 1991 instituted a special scheme providing support for debt-reduction operations, including buy-backs of commercial debt.

100. Preliminary estimates released by OECD on outstanding external debt of developing countries at end-1990 6/ show that the external indebtedness of the LDCs increased by about 4 per cent in 1990, to $86.3 billion from $83 billion at end-1989. These figures include more comprehensive data on claims held by the USSR, as well as additional information for other Eastern creditor countries. They show an even heavier debt burden for the LDCs than was known at the time of the Paris Conference. Debt-service payments by the LDCs on their external debt remained stable at a level of $4.2 billion annually in 1989-1990, representing close to 30 per cent of their exports of goods and services.

101. Although the external debt of the LDCs has continued to grow and the debt burden continues to aggravate their financing problems, the shifts in the composition of this debt should be noted. The 1990 figures do indicate that debt-reduction measures taken in their favour are beginning to take effect:

for the first time, there was a reduction in debt outstanding to OECD countries and capital markets concerning both ODA debt and export credits. Non-concessional debt (and debt service) to multilateral institutions is also decreasing. However, these developments were offset by valuation effects and new concessional loan disbursements from multilateral sources. LDCs' outstanding debt to multilateral financing institutions was estimated at some $31 billion at end-1990. It may also be noted that LDCs' long-term debt to non-OECD creditor countries (at $29 billion at end-1990) now by far surpasses corresponding debt to OECD creditors (estimated at $20 billion), although the latter still account for the major share of debt-service payments by the LDCs. Significant debt-relief measures have been taken in favour of the LDCs over the past few years, but further measures are clearly called for to break the LDCs' debt overhang.

C. External trade

102. As mentioned earlier in section II, a large number of LDCs are engaged in the process of implementing structural reforms in which enhancing the contribution of external trade often plays a key role. However, the efficacy of trade liberalization measures depends on several factors, not all of which are subject to policy direction and control by the countries concerned. The opening up of key sectors in the economy to the rigours of market competition results in adjustment costs that can be a heavy burden on the domestic fiscal system and on external accounts, as a consequence of realignment of exchange rates and initial surges in imports. The degree to which countries can face these pressures would depend, at least in the initial stages, on the volume of external financing available to underpin the adjustment efforts. Equally important is the degree of openness of international markets. Concern about the rise in protectionism in the major markets of interest to developing countries has been an important factor in limiting the volume of investment in the tradeable sector: concern about anti-dumping actions and other non-tariff barriers have been cited as among the important reasons why measures to promote exports have not borne the expected results.

103. As regards market-access conditions, the outcome of the Uruguay Round of Multilateral Trade Negotiations is likely to result in the opening up of important new opportunities for the exports of developing countries, including the LDCs. These opportunities - which are likely to extend beyond the traditional market-access issues - embrace several new areas in which the multilateral disciplines will influence the trade performance of LDCs. These areas include, in particular, agriculture, trade-related aspects of intellectual property and investments and trade in services.

104. In recognition of the importance of the Uruguay Round for the future of their economies, the LDCs are participating in the Uruguay Round as Contracting Parties to GATT (21 LDCs), de facto members seeking GATT accession (8 LDCs) or as observers (13 LDCs). The importance of the Uruguay Round has also led many LDCs to raise the profile of their participation in the trade negotiations, notably through the submission of proposals and offers in the

Round. They submitted a set of proposals before the Negotiating Group on Goods in 1989, encompassing the modalities for the implementation of concessions negotiated in the Uruguay Round, measures to safeguard the degree of preferences they enjoy, measures to enhance their export capacity, and exempting them from the rules governing, in particular, some of the new regimes relating to trade-related investment measures (TRIMs), trade-related intellectual property system (TRIPs) and services. Proposals by the LDCs are now under consideration within the new negotiating structure established by the Trade Negotiations Committee earlier in 1991.

105. As regards the scope of market-access negotiations, several areas of interest to LDCs, such as agriculture, tropical products, and natural resource-based products, have been left largely out of tariff offers of some major participants. (The mid-term review offers on tropical products by EEC remains subject to progress in other areas, notably agriculture.) An issue of continuing concern to the LDCs also relates to the possibility of erosion in preferences implied in the offers by, among others, EEC on the liberalization of market access. Since the value of imports to which most-favoured nation rates of duty are applied as a share of total imports originating from LDCs is already low, the trade creation effects of such tariff concessions are expected to be negligible.

106. The results in market-access negotiations constitute one of the most important elements for LDCs in evaluating the overall results of the Uruguay Round. Widespread tariff escalation in a number of areas has made it particularly difficult for them to diversify their economies into higher value-added activities. In order to arrive at a balanced and mutually acceptable reduction of tariffs and non-tariff barriers, participants would have to overcome a number of serious obstacles in each of the sub-areas of negotiations before the end of the year. One of the key issues of concern to LDCs relates to the finding of ways and means to offset erosion of existing preferences - including through compensation - and to improve GSP schemes, in particular, by making them less complex. The full recognition of the trade liberalization measures that LDCs have taken as part of their structural adjustment programmes also warrants serious consideration in the concluding phase of the Round.

VI. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

107. The process of initiating economic recovery in the LDCs, following more than a decade of falling living standards, is taking place in the context of new responsibilities assumed by these countries to secure fundamental reforms in their economic and political systems. Significant recovery in per capita output growth would clearly be needed to strengthen the capacity of Governments to implement reforms: just as growth in public expenditures financed through a rise in real output and an enlarged tax base makes it possible to improve social and economic services, improved export performance can also make it possible to liberalize trade regimes and attract foreign investment. In most LDCs, policies designed to revive output growth and to

yield a steady recovery in per capita incomes also depend on reforms that emphasize improved incentives for the productive sectors, restoration of fiscal and monetary disciplines and the reform of public administration. In others, however, the prior claims on public resources stemming from emergencies revolving around massive disruption of infrastructure on account of natural calamities, the managemement of famines, and the need to finance absorption costs arising from large-scale cross-border displacement of populations render the process of recovery - let alone reforms - difficult. The claims on constrained public resources - not the least of them on administrative capacities - to deal with recurring cycles of crises continue to be a serious drain on the capacity of many LDCs to manage simultaneously the recovery process and implement, on a sustained basis, long overdue reforms. These considerations notwithstanding, the vast majority of LDCs are now engaged - often in partnership with multilateral agencies of the United Nations system, the developed and other developing countries - in restructuring their economies.

108. The Programme of Action envisages a three-tier framework of cooperation encompassing national, regional and global policies and the establishment of cooperative arrangements for systematic monitoring of the Programme. These mechanisms, encompassing multilateral agencies in particular, are largely in place, thanks to the impetus provided by General Assembly resolution 45/206. Likewise, cooperative arrangements to strengthen the country-review process as a principal instrument for policy dialogue and coordination of aid efforts have been initiated. Since the Paris Conference, six consultative and aid groups under the aegis of the World Bank and four round-table meetings under the aegis of UNDP have taken place. Experience so far suggests that this mechanism has the potential to become an effective instrument for aid coordination and mobilization resources for the LDCs in the 1990s.

109. For many LDCs, resource needs for the decade ahead have become greater than anticipated at the time of the Paris Conference. At the same time, huge new demands for financial resources have emerged elsewhere in the world. The flow of ODA to the LDCs in 1990 would tend at most only partially to reflect the new commitments undertaken in Paris and, at this point, it is too early to make an assessment of the implementation of those commitments. However, the exigencies of the recovery and the reform process underlines the importance of the effective implementation of measures to increase substantially the level of external support to the LDCs in line with the undertakings set out in the Programme of Action for various categories of donor countries. It should be stressed, however, that even a significant increase in ODA in line with these undertakings, is not projected to meet fully the external capital requirements of the LDCs throughout the 1990s. Ways and means to raise additional financing will need to be sought, especially through the expansion of non-debt-creating flows and increased export earnings.

110. While significant debt-relief measures have been taken in favour of the LDCs over the past few years, the debt burden of many LDCs continues to be very heavy and constitutes a major hindrance to their efforts to adjust and reactivate development. It is to be hoped that the consensus reached at the

London Summit on the need for additional debt relief going well beyond the relief already granted under the Toronto terms, will be translated into debt reduction on a scale sufficient to resolve the problems of LDCs in servicing their official debt. Attention also needs to be paid to the modalities and country eligibility for such operations, as well as to equivalent measures involving non-Paris Club creditors, including multilateral institutions. In this context, the proposal made at the Paris Conference for collective action among creditor nations to cancel fully bilateral official debts needs to be actively pursued.

111. Export proceeds will continue to be a major source for financing imports in most LDCs. An improved trade performance will therefore play a key role in sustaining economic recovery and fuller integration of the LDCs in the dynamics of international trade and specialization. Improved market access for their exports and support for their diversification policies would sustain the process of trade liberalization, which form an integral part of the overall reform process in the LDCs. The LDCs have continued to participate actively in various international negotiations which have a bearing on their development efforts. Several ongoing negotiations, notably the Uruguay Round of Multilateral Trade Negotiations, will have important implications for their trade and development prospects over the balance of the present decade and beyond. In recognition of the importance of these negotiations, LDCs have raised the profile of their participation, notably through the submission of proposals in the Uruguay Round in all areas, but especially on market-access issues. These negotiations need to ensure that the momentum imparted by the Paris Conference in favour of the LDCs is fully captured in their results.

112. Environment concerns and related policies have assumed centre stage in the consideration of trade and development issues. Important progress was made at the Paris Conference in integrating environmental and developmental considerations as they affect the LDCs. The forthcoming United Nations Conference on Environment and Development provides an important opportunity to cement the progress made in Paris and to provide for operational measures to enable LDCs to promote sustainable development on the basis of comprehensive international support.

113. That the process of economic reform has to proceed abreast with that of evolving transparent political systems is now self-evident. The fashioning of more broadly based participation in the development process and the release of private initiative and enterprise itself is now acknowledged to be an essential requirement of a successful economic reform programme. The complexity of transition towards participatory development should not, however, be underestimated; these measures not only require time to mature, but are frequently accompanied by social disruption and instability. This notwithstanding, there is a widening trend towards reform of political institutions among the LDCs and major political changes in some of them have taken place since the Paris Conference.

Notes

1/ See A/CONF.147/Misc.9.

2/ Following the merger on 22 May 1990 of the Yemen Arab Republic and the People's Democratic Republic of Yemen to form a single State, the Republic of Yemen, and further to General Assembly decision 45/437 of 21 December 1990 to include Liberia in the list of LDCs, this list currently comprises 42 countries. Their combined population was estimated at nearly 440 million in 1990.

3/ Guidance for the follow-up at global level is given in paragraph 138 of the Programme of Action (A/CONF.147/Misc.9). As called for in paragraph 140 of the Programme, the annual review in the Trade and Development Board is to be based on the Least Developed Countries Report prepared by the UNCTAD secretariat.

4/ See United Nations Conference on Trade and Development, The Least Developed Countries 1990 Report (United Nations publication, Sales No. E.91.II.D.3), pp. 29-31.

5/ Official development finance includes concessional official development assistance (ODA), as well as other official finance, e.g., non-concessional official bilateral and multilateral lending. In the case of the LDCs, the non-concessional part of official development finance is marginal and ODA accounts for the near-totality of official resource flows to these countries.

6/ Organisation for Economic Cooperation and Development, Financing and external debt of developing countries, 1990 Survey (Paris, 1991).

7/ 1990 estimates do indicate an improvement, but no decisive upturn, in the level of resource inflows to the LDCs in terms of LDCs' purchasing power of imports, following the decline in the official development finance provided in 1989.

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DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION:
TRADE AND DEVELOPMENT

Economic measures as a means of political and economic coercion against developing countries

Note by the Secretary-General

1. The present note has been prepared in response to General Assembly resolution 44/215 of 22 December 1989, by which the Assembly inter alia: took note with appreciation of the report of the Secretary-General on economic measures as a means of political and economic coercion against developing countries (A/44/510); called upon the international community to adopt urgent and effective measures in order to eliminate the use of coercive measures against developing countries; requested the Secretary-General to designate an identifiable unit within the Office of the Director-General for Development and International Economic Cooperation to collect pertinent information on economic measures taken by developed countries as a means of coercion against developing countries, which unit should receive and assess such information and produce periodic reports with recommendations for the consideration of the General Assembly; and also requested the Secretary-General to report to the General Assembly at its forty-sixth session on the implementation of the resolution.

2. The General Assembly received reports on the same subject in 1986 (A/41/739), 1987 (A/42/660) and 1989 (A/44/510). These reports were based on replies received from Governments in response to a note verbale by the Secretary-General.

3. In response to General Assembly resolution 42/173 of 11 December 1987 and a subsequent request from the Director-General for Development and International Economic Cooperation, the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) convened a group of

experts for the purpose of considering effective approaches to the elimination of the use of coercive economic measures against developing countries. The findings of the experts were annexed to the Secretary-General's report (A/44/510). The findings refer to the current state of international law, the definition of coercive economic measures, allowable exceptions and adequate mechanisms for controlling and assessing relevant measures.

4. The Office of the Director-General, in close cooperation with UNCTAD and the regional commissions, intends to build upon these findings in order to strengthen the conceptual and legal framework for the assessment of coercive economic measures. It has been determined that this requires careful consideration and close contacts with the relevant research community in order to strengthen the conceptual basis. This will permit the elaboration of adequate frameworks for categorizing and assessing relevant information, including the determination of applicable criteria. This work has started but it is not at a sufficiently advanced stage for conclusive recommendations to be submitted to the General Assembly.

5. The Office of the Director-General for Development and International Economic Cooperation needs to maintain a flexible structure to cope with the diversified and complex responsibilities entrusted to it by Member States. This excludes the establishment of permanent structures. The issue of coercive economic measures is dealt with in the context of work on macroeconomic issues. As already indicated, adequate cooperative arrangements will be established with UNCTAD and the regional commissions.

6. These arrangements will include appropriate instruments for the collection and assessment of relevant information. This will provide a solid basis for the submission of periodic reports, including relevant recommendations to future sessions of the General Assembly.